92-2236

A	ALANCO RESOURCES CORP	10Q	02-29-92
B	ASSUMPTION BANCSHARES INC	10Q	03-31-92
C	BALI JEWELRY LTD	10Q	12-31-91
D	BELL NATIONAL CORP	10Q	03-31-92
E	CONGRESS STREET PROPERTIES INC	10Q	05-31-92
F	DIRECT CONNECT INTERNATIONAL INC	10Q	01-31-92
G	DIVERSIFIED HUMAN RESOURCES GROUP INC	10Q	03-31-92
H	EXCALIBUR INDUSTRIES	10Q	02-29-92
I	FSI INTERNATIONAL INC	10Q	05-30-92
J	GREAT AMERICAN MANAGEMENT AND INVESTMENT INC	10Q	04-30-92
K	JENNIFER CONVERTIBLES INC	10Q	05-31-92
L	JP 2000 CORP	10Q	01-31-92
M	MAMMATECH CORP	10Q	05-31-92
N	NRP INC	QA	03-31-92
O	NAB ASSET CORP	QA	03-31-92
P	PEOPLES MID-ILLINOIS CORP	10Q	03-31-92
Q	PHOTOCOMM INC	10Q	05-31-92
R	SHENANDOAH TELECOMMUNICATIONS CO	10Q	03-31-92
S	SOUTHERN SCOTTISH INNS INC	10Q	09-30-91
T	SUN TELEVISION AND APPLIANCES INC	10Q	05-31-92
U	UNICO AMERICAN CORP	10Q	06-30-92
V	SYNERCOM TECHNOLOGY INC	10Q	01-31-92
W	TECNOL MEDICAL PRODUCTS INC	10Q	05-29-92
X	TELCO SYSTEMS INC	10Q	02-29-92
Y	WAUSAU PAPER MILLS CO	10Q	05-31-92

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the quarter ended..............................February 29, 1992
Commission file number....................................0-9347

ALANCO RESOURCES CORPORATION
(formerly known as Alanco Ltd.)
(Exact name of registrant as specified in its charter)

Arizona	**86-0220694**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14555 North Scottsdale Road, Suite 200, Scottsdale, Arizona 85260
(Address of principal executive office) (Zipcode)

(602) 991-8540
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

YES XX NO

As of February 29, 1992 there were 28,889,613 shares of common stock outstanding.

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ALANCO RESOURCES CORPORATION
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PART I
ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 1992	May 31, 1991
ASSETS		
Current Assets		
Cash	$ 171	$ 362
Accounts receivable	30,944	17,159
Total Current Assets	31,115	17,521
Furniture and Equipment, net of depreciation	39,060	50,314
Other assets	10,552,167	10,017,724
	$ 10,622,342	$ 10,085,559
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable, shareholders	$ 116,269	$ 117,769
Current maturities of notes and contracts payable	171,231	169.474
Accrued payroll taxes	62,450	62,450
Accounts payable	304,578	251,615
Billings in excess of cost	130,434	130,434
Accrued expenses	135,160	156,658
Accrued expenses - related parties	463,547	305,021
Advances from officers and directors	380,749	204,509
Cumulative dividend	90,000	90,000
Total Current Liabilities	1,854,432	1,486,930
Long-term liabilities	--	2,108
Redeemable Preferred Stock, Class A	750,000	750,000
Common Stock	23,011,191	22,161,145
Common Stock subscriptions receivable	(823,696)	(823,696)
Accumulated deficit	(14,169,571)	(13,490,928)
Shareholders' equity	8,017,924	7,846,521
	$ 10,622,342	$ 10,085,559

The consolidated balance sheet at May 31, 1991 has been taken from the audited financial statements and condensed.

See notes to condensed consolidated financial statements

ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED	
	February 29, 1992	February 28, 1991
REVENUES:	$ 6,000	$ --
OPERATING EXPENSES:		
Direct Service	42,343	59,323
General and administrative	148,205	235,199
OTHER INCOME AND (EXPENSE):		
Interest income	1	28
Interest expense	(3,642)	(284)
Minority interest in net loss of consolidated subsidiary	21,491	23,767
Income from foregiveness of debt		2,809
Gain on sale of property, plant and equipment	20,155	--
NET LOSS	$ 146,543	$ 268,202
Loss per share of common stock:	$ (0.0057)	$ (0.0125)
Weighted average number of common shares outstanding	25,295,176	21,449,635

See notes to condensed consolidated financial statements

ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	NINE MONTHS ENDED	
	February 29, 1992	February 28, 1991
REVENUES:	$ 6,000	$ 52,180
OPERATING EXPENSES:		
Direct Service	119,576	149,890
General and administrative	643,107	617,291
OTHER INCOME AND (EXPENSE):		
Interest income	30	94
Interest expense	(7,142)	(393)
Minority interest in net loss of consolidated subsidiary	70,997	81,790
Income from foregiveness of debt	--	2,809
Gain on sale of property, plant and equipment	20,155	--
LOSS BEFORE EXTRAORDINARY ITEM	$ 678,643	$ 630,701
EXTRAORDINARY ITEM:		
Loss on settlement of lawsuit	--	10,500
NET LOSS	$ 678,643	$ 641,201
Loss per share of common stock:		
Before extraordinary item	(0.0275)	(0.0294)
Extraordianry item	--	(0.0005)
Loss per share of common stock:	$ (0.0275)	$ (0.0299)
Weighted average number of common shares outstanding	24,658,284	21,519,787

See notes to condensed consolidated financial statements

ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Subscription	Accumulated	
	Shares	Amount	Receivable	Deficit	Total
Balances, May 31, 1989	21,388,740	21,964,496	(1,100,000)	(12,355,576)	8,528,920
Issued on settlement of lawsuit	52,500	10,500			10,500
Issued for purchase of mineral property interest	84,617	33,847			33,847
Issued for cancellation of outstanding warrant	300,000	84,000			84,000
Collection of subscripions receivable			268,015		268,015
Net Loss				(641,201)	(641,201)
Balances, February 28, 1991	21,825,857	22,092,842	(831,985)	(12,976,777)	8,284,081

	Common Stock		Subscription	Accumulated	
	Shares	Amount	Receivable	Deficit	Total
Balances, May 31, 1991	23,433,450	22,161,145	(823,696)	(13,490,928)	7,846,521
Issued for Cash	981,636	145,142			145,142
Issued for Services and property	61,000	12,200			12,200
Issued for Services	413,527	67,704			67,704
Issued for Investment	4,000,000	625,000			625,000
Net Loss				(678,643)	(678,643)
Balances, February 28, 1992	28,889,613	23,011,191	(823,696)	(14,169,571)	8,017,924

ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED	
	February 29, 1992	February 28, 1991
OPERATING ACTIVITIES:		
Net loss	$ (678,643)	$ (641,201)
Charges to earnings not requiring cash:		
Depreciation and amortization	62,518	149,244
Minority interest in net loss of consolidated subsidiary	(70,997)	(81,790)
Loss on settlement of lawsuit	--	10,500
Income from foregiveness of debt	--	(2,809)
Stock issued for services and property	79,905	33,847
Stock issued on cancellation of outstanding warrant	--	84,000
Stock issued for investment	625,000	--
Gain on sale of assets	(20,155)	
(Increase) in current assets:		
Accounts receivable	(13,785)	--
Increase (Decrease) in current Liabilities:		
Accounts payable, accrued expenses and other current liabilities	448,226	123,340
Net cash (used in) operating activities	(432,069)	(328,815)
INVESTMENT ACTIVITIES:		
(Additions) Deletions to property, plant and equipment	47,598	(1,154)
Investment in unconsolidated subsidiary	(625,000)	(4,203)
Net cash (used in) investing activities	(577,402)	(5,357)
FINANCING ACTIVITIES:		
Net Increase (Decrease) in borrowing	(851)	54,900
Stock subscriptions collected	--	268,015
Proceeds from sale of stock	145,142	--
Net cash provided by financing activities	$ 144,291	$ 322,915
(DECREASE) INCREASE IN CASH	$ (191)	$ (11,257)
CASH AT BEGINNING OF PERIOD	$ 362	$ 11,614
CASH AT END OF PERIOD	$ 171	$ 357

See notes to condensed consolidated financial statements

ALANCO RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

The condensed consolidated balance sheet as of February 29, 1992, the consolidated statements of operations for the three and nine month periods ended February 29, 1992 and February 28, 1991, the consolidated statements of shareholders' equity and the consolidated statements of cash flows for the nine months ended February 29, 1992 and February 28, 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, changes in shareholders' equity and statements of cash flows at February 29, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's May 31, 1991 Annual Report on Form 10-K. The results of operations for the period ending February 29, 1992 are not necessarily indicative of the operating results for the full year.

NOTE 2. - SHAREHOLDERS' EQUITY

All references herein with regard to shares outstanding, weighted average number of common shares and earnings (loss) per share have not included the convertible preferred stock as its inclusion would be antidilutive. The weighted average number of shares and the earnings (loss) per share data can be found on page 4 and 5 - condensed consolidated statement of operations for the respective period presented.

NOTE 3. - INVESTMENT ACTIVITY

During the Company's third quarter, management approved the purchase of 500,000 shares of Princeton Electronics, Inc. common stock in exchange for shares of the Company's common stock. This transaction has been valued at $625,000.00.

Subsequent to the Company's third quarter just ended, the Company received $150,000 in cash as part of a private placement to rasie a total of up to $600,000 in working capital.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Company continues to experience a shortage in working capital. Management has pursued several different avenues of acquiring additional working capital, including, among other things, negotiations with several different venture capital firms, sale of the Company's Tombstone Metallurgical Facility and joint venture partners interested in either investing in or marketing the Company's subsidiaries pollution control device. The Company does have commitments from International Minerals & Metals, Inc. and Inter Alia Holding Company, who have executed investment agreements with the Company, to invest up to $960,000 in the Company in exchange for common stock. These funds will be used to supply working capital to the Company. The Company has received a total of $136,304 under these agreements.

The Company continues to expend its time and resources on developing its subsidiary's pollution control device. Currently, the Company is in the process of a technology transfer program with Daewoo Group of Korea, negotiating a similar license with Ford, Bacon & Davis Technologies in the United States and has two similar contacts in the United Kingdom. The Company believes that all of these potential sources of revenue should be realized in this current fiscal year.

Results of Operations

The Company had $6,000 revenue during the period ending February 29, 1992 a decrease of 88.50% over the same period last year. This revenue was received from a short-term lease of the Company's Tombstone Facility for lab testing purposes. General and Administrative expenses increased by $31,816 (5.15%) over the same period last year. Direct service expenses decreased by $30,314 (20.22%) over the same period last year as a result of the Company's cessation of mining activities.

The Company's net loss increased by $37,442 (5.84%) over the same period last year. This increase in loss can be accounted for by the increase in marketing activity of the Company's subsidiary's pollution control device, little income generated during the first nine months reported herein and an absorption of all of the loss in the majority-controlled pollution control subsidiary. The absorption of the loss is directly attributable to loss exceeding the minority interest holders equity position.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - none

(b) Reports on Form 8-K - There were no reports on Form 8-K filed for the three months ended February 29, 1992

Signature

Pursuant to the requirements of the securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALANCO RESOURCES CORPORATION
(Registrant)

Kevin L. Jones
President and CEO

Date: MAR 30 1992

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR QUARTER ENDED MARCH 31, 1992

Commission file number 2-90033

ASSUMPTION BANCSHARES, INC.
(Exact name of registrant specified in its charter)

Louisiana
(State or other jurisdiction of incorporation or organization)

72-0121470
(I.R.S. Employer Identification No.)

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P.O. Box 398
110 Franklin Street
Napoleonville, Louisiana
(Address of principal executive office)

70390
(Zip code)

(504) 369-7269
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO ____

Number of shares outstanding as of March 31, 1992:

160,000 Common Shares

ASSUMPTION BANCSHARES, INC.

Condensed Consolidated Statements of Condition
(Unaudited)

March 31, 1992 and December 31, 1991

Assets	March 31, 1992	December 31, 1991
Cash and due from banks	$ 3,583,288	4,159,080
Federal funds sold	6,570,000	5,300,000
Cash and cash equivalents	10,153,288	9,459,080
Investment securities (market value of $50,079,000 and $42,785,000 at March 31, 1992 and December 31, 1991, respectively)	50,389,650	42,538,706
Loans	42,652,876	42,717,149
Less allowance for possible loan losses	633,863	625,000
Net loans	42,019,013	42,092,149
Other real estate	838,245	1,030,952
Bank premises and equipment, net	940,789	956,296
Accrued interest receivable	775,743	751,805
Other assets	244,178	164,502
	$ 105,360,906	96,993,490
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	8,858,892	8,429,331
NOW accounts	16,930,879	15,404,763
Money market accounts	15,259,747	13,500,017
Savings and IRA accounts	22,136,972	18,203,343
Certificates and other time deposits $100,000 and over	3,595,559	4,928,781
Other certificates of deposit	31,537,154	29,914,390
	98,319,203	90,380,625
Accrued interest payable	404,326	348,961
Other liabilities and accrued expenses	164,031	66,402
Total liabilities	98,887,560	90,795,988
Stockholders' equity:		
Common stock	800,000	800,000
Paid-in capital	450,000	450,000
Retained earnings	5,223,346	4,947,502
Total stockholders' equity	6,473,346	6,197,502
Commitments		
	$ 105,360,906	96,993,490

See accompanying notes to condensed consolidated financial statements.

ASSUMPTION BANCSHARES, INC.

Condensed Consolidated Statements of Income
(Unaudited)

Three months ended March 31, 1992 and 1991

	1992	1991
Interest income:		
Interest and fees on loans	$ 1,139,281	1,252,664
Interest on investment securities:		
Taxable	744,596	565,728
Exempt from federal income taxes	34,668	64,146
Interest on federal funds sold	61,911	125,663
Interest on deposits with banks	-	4,918
Total interest income	1,980,456	2,013,119
Interest expense on deposits	1,003,879	1,272,145
Net interest income	976,577	740,974
Provision for possible loan losses	50,000	195,086
Net interest income after provision for possible loan losses	926,577	545,888
Other income	124,077	126,629
Other expenses	(695,101)	(608,900)
Income before income taxes	355,553	63,617
Income tax expense	79,709	11,000
Net income	$ 275,844	52,617
Per share data:		
Net income	$ 1.72	.33
Number of shares used in computation	160,000	160,000

See accompanying notes to condensed consolidated financial statements.

ASSUMPTION BANCSHARES, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Three months ended March 31, 1992 and 1991

	Common stock	Paid-in capital	Retained earnings	Net unrealized loss on money market mutual fund securities	Total stockholders' equity
Balances at December 31, 1990	$ 800,000	450,000	5,504,049	(508,094)	6,245,955
Net income for three months ended March 31, 1991	-	-	52,617	-	52,617
Decrease in net unrealized loss on money market mutual fund securities	-	-	-	(29,402)	(29,402)
Balances at March 31, 1991	$ 800,000	450,000	5,556,666	(537,496)	6,269,170
Balances at December 31, 1991	$ 800,000	450,000	4,947,502	-	6,197,502
Net income for three months ended March 31, 1992	-	-	275,844	-	275,844
Balances at March 31, 1992	$ 800,000	450,000	5,223,346	-	6,473,346

See accompanying notes to condensed consolidated financial statements.

ASSUMPTION BANCSHARES, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three months ended March 31, 1992 and 1991

		1992	1991
Cash flows from operating activities:			
Net income	$	275,844	52,617
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		30,000	39,000
Provision for possible loan losses		50,000	195,086
Gain on sale of investment securities		(8,304)	(19,687)
Loss on sale of other assets acquired in settlement of loans		14,759	-
Increase in accrued interest receivable		(23,938)	(71,209)
Increase in accrued interest payable		55,365	109,505
Increase (decrease) in other assets and other liabilities		65,274	(3,288)
Net cash provided by operating activities		459,000	302,024
Cash flows from investing activities:			
Proceeds from sales of investment securities		298,058	2,177,455
Proceeds from maturities of investment securities		6,435,450	725,000
Purchases of investment securities		(15,056,683)	(6,983,807)
Loans originated, net of principal collections		420,713	184,295
Proceeds from sales of other assets acquired in settlement of loans		213,525	
Capital expenditures		(14,493)	66,800
Net cash used in investing activities		(7,703,430)	(3,830,257)
Cash flows from financing activities:			
Net increase in demand deposits, NOW accounts, money market accounts and savings accounts		7,649,036	2,079,308
Net increase in certificates of deposit and other time deposits of $100,000 and over		289,542	408,523
Dividends paid		-	(320,000)
Net cash used in financing activities		7,938,578	2,167,831
Net increase (decrease) in cash and cash equivalents		694,208	(1,360,402)
Cash and cash equivalents at beginning of period		9,459,080	12,563,111
Cash and cash equivalents at end of period	$	10,153,288	11,202,709
Supplemental disclosures:			
Interest paid	$	948,514	1,162,638
Income taxes paid	$	-	-
Other assets acquired in settlement of loans	$	118,898	-

See accompanying notes to condensed consolidated financial statements.

ASSUMPTION BANCSHARES, INC.

Note to Condensed Consolidated Financial Statements

Three months ended March 31, 1992 and 1991

The condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. All adjustments are of a normal recurring nature.

Cash and Cash Equivalents

For purposes of the condensed consolidated statements of cash flows, cash and cash equivalents represent cash and due from banks and federal funds sold.

Earnings per share

Earnings per share have been computed on the basis of the weighted average number of shares outstanding.

Reclassification

Certain reclassifications were made to the condensed consolidated statements of cash flows of prior periods to conform with the 1992 presentation.

ASSUMPTION BANCSHARES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net interest income for the three months ended March 31, 1992 increased from comparable amounts for the three-month period ended March 31, 1991 due to an increase in the Bank's net interest margins from 2.77% to 3.74%, respectively. The improved margin resulted from current economic conditions which drove rates on interest-bearing liabilities down at a pace faster than the rates on earning assets.

Provision for loan losses was unusually high during 1991 due to the deterioration and ultimate bankruptcy of specific borrowers. The Bank recognized all of the unusual losses related to these borrowers in 1991, and, as a result, the provision for loan losses during the first quarter of 1992 has decreased. Management continues to evaluate the adequacy of the allowance for loan losses on an ongoing basis and believes, based on its analysis, that the allowance is adequate to absorb losses relating to these and other credits in the portfolio.

Other expenses at March 31, 1992 totaled $695,101, up from $608,900 for the first quarter 1991. The additional expenses resulted primarily from increased FDIC insurance assessments due to the increased volume of deposits and premium rates charged, and an increase in legal fees due to the administration of loans, other real estate and litigation due the bankruptcy of certain borrowers during 1991.

The provision for income taxes is based on management's estimate of the expected effective tax rate for the entire year. The principal factor affecting the actual effective income tax rate is tax-exempt interest.

Liquidity and Capital Resources

Fluctuating interest rates and competitive forces in the financial services industry have intensified the need for management of and matching maturities of various assets and liabilities. This process involves maintaining liquidity and controlling interest rate sensitivity. The goal of liquidity management is to ensure funds are available for customer needs. Interest rate sensitivity management attempts to match shifts in earning asset yields with interest paying liability rates.

Investment securities, comprised of U. S. Treasuries, obligations of states and municipalities and government guaranteed mortgage-backed securities, represented 47.8% and 43.8% of total assets at March 31, 1992 and December 31, 1991, respectively. The investment portfolio is managed with the primary objective of generating interest income while maintaining an appropriate level of asset liquidity and controlling the Bank's net interest rate risk position. Strong deposit growth primarily due to a failing financial institution in the Bank's market area and proceeds from paydowns of mortgage-backed securities and maturities of other investment securities and principal collected on loans were invested in securities with shorter maturities or which offer the possibility of frequent repricing.

(Continued)

ASSUMPTION BANCSHARES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The market value of the investment portfolio at March 31, 1992 was 99% of book value, compared to 101% at December 31, 1991. Management does not anticipate any significant effect on future earnings, liquidity or capital resources as a result of the amounts of unrealized gains or unrealized losses in the investment portfolio.

The Bank's deposits increased approximately $8 million from December 31, 1991 to March 31, 1992. This significant increase is attributed primarily to the closure of a regional savings and loan institution in the Bank's immediate trade area.

There have been no significant changes in capital resources at March 31, 1992 as compared to December 31, 1991 except the recorded first quarter income of $276,000. Management is not aware of any recommendations by regulatory authorities or other matters which are reasonably likely to have a material effect on the Bank's capital resources, liquidity or operations.

PART II

Items 1 through 5 are not applicable.

Item 6. Exhibits and Reports on Form 8-K. No Form 8-K was required to be filed during the quarter ended March 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Joseph H. Montero, II
Joseph H. Montero, II,
Secretary and Chief Finance
and Accounting Officer

Date: May 13, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 1991	Commission File Number 0-17798

BALI JEWELRY, LTD.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number- 11-28483075)

50 Wallabout Street
Brooklyn, New York 11211
(Address of principal executive office including zip code)

718-797-9558
(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed as reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Common Stock, Par Value $.001, outstanding at December 31, 1991:

6,300,000 shares

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BALI JEWELRY, LTD.

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DECEMBER 31, 1991

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BALI JEWELRY, LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	December 31, 1991	September 31, 1991
ASSETS		
Current Assets:		
Cash	$ 32,257	$ 193,154
Accounts receivable	2,589,465	2,596,206
Less: Allowance for doubtful accounts	(70,000)	(70,000)
Merchandise inventories	7,426,780	6,315,693
Prepaid expenses	15,384	15,384
Total Current Assets	9,993,886	9,050,437
Property, plant and equipment,-at cost	1,158,214	1,155,990
Less: Accumulated depreciation and amortization	(397,553)	(357,612)
Deferred charges	110,059	113,905
Total Assets	$10,864,606	$ 9,962,720
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 353,455	$ 274,494
Bank loan payable	2,413,792	2,383,926
Accrued expenses and taxes payable	73,542	44,971
Loan payable to Private Brands, Inc.	2,812,564	2,190,750
Other loans payable, net	464,637	230,632
Total Liabilities	6,117,990	5,124,773
Commitments and Contingencies		
Shareholders' Equity:		
Common Stock-authorized 20,000,000 shares at $.001 par value; issued and outstanding-6,300,000 shares	6,300	6,300
Additional paid-in-capital-Note A(1)	6,781,059	6,781,059
Retained earnings (deficit)	(2,040,743)	(1,949,412)
Net Shareholders' Equity	4,746,616	4,837,947
Total	$10,864,606	$ 9,962,720

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31,

	1991	1990
Net Revenues	$ 3,253,310	$ 4,418,640
Cost of goods sold:		
Inventory-October 1	6,315,693	5,296,000
Purchases and manufacturing labor	3,773,423	4,378,876
Direct labor and related taxes	350,043	408,964
Provision for depreciation and amortization	39,941	50,000
Total	10,479,100	10,133,840
Less: Inventory-December 31	7,426,780	5,988,844
Cost of Goods Sold	3,052,320	4,144,996
Gross Profit	200,990	273,644
Operating Expenses:		
Selling and shipping expenses	36,390	77,466
General and administrative expenses	114,356	105,759
Interest and finance charges	132,273	66,165
Total Operating Expenses	283,019	249,390
Income (loss) before taxes	(82,029)	24,254
Less: Provision for corporate and income taxes	9,302	4,896
Net Income (Loss)	$ (91,331)	$ 19,358
Weighted average number of shares of Common Stock outstanding used in determining earnings (loss) per share	6,300,000	6,300,000
Earnings (Loss) per Share	$(.01)	$NIL

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31,

	1991	1990
A. Operating Activities:		
1. Net Income (Loss) from Operations	$(91,331)	$ 19,358
Plus: Adjustment to reconcile operating income to net cash provided from operating activities-		
Provision for depreciation and amortization	39,941	50,000
2. Cash Provided From our Used for Other Operating Activities:		
(Increase) Decrease in accounts receivable	6,741	(479,047)
Decrease in prepaid expenses	-0-	3,155
(Increase) in inventory	(1,111,087)	(692,844)
Increase in accounts payable	78,961	233,820
Increase (Decrease) in accrued expenses and taxes payable	28,571	(55,109)
Decrease in bank account overdraft	-0-	(147,914)
Net Cash Used for All Operating Activities	(1,048,204)	(1,068,581)
B. Cash Used for Investing Activities:		
Purchase of plant & equipment	(2,224)	(100,000)
Decrease in deferred charges	3,846	3,846
Total Cash Provided from or Used for All Investing Activities	1,622	(96,154)
C. Cash Provided From or Used for Financing Activities:		
Proceeds of loans from Private Brands, Inc.	621,814	245,575
Proceeds of bank loans	29,866	1,287,668
Increase (Decrease) in other loans	234,005	(258,527)
Net Cash Provided from All Financing Activities	885,685	1,274,716
Net Increase (Decrease) in Cash	(160,897)	109,981
Balance, Cash - October 1	193,154	96,564
Balance, Cash - December 31	$ 32,257	$ 206,545

Note: See accompanying Notes to Interim Financial Statements.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

NOTE A-Summary of Significant Accounting Policies:

(1) Organization:

Bali Jewelry, Ltd. was incorporated as a New York corporation on February 23, 1987 and commenced operations in April 1987. Bali Jewelry, Ltd. is a 61% owned subsidiary of Private Brands, Inc. Prior to March 28, 1989, the Company's outstanding shares of capital stock consisted of 100 shares of Common Stock without par value, all owned by Private Brands, Inc. On March 28, 1989 the Company was recapitalized so that each share of previously issued and outstanding Common stock without par value was changed into 40,000 shares of Common Stock $.001 per share. As a result of the recapitalization, Private Brands, Inc. owned 4,000,000 shares of Common Stock $.001 par value of the Company. Private Brands, Inc., thereafter sold 150,000 shares to the public under Rule 144.

On March 31, 1989, Private Brands, Inc. converted $2,000,000 of intercompany debt payable to itself from the Company, into shareholders equity, as Additional Paid-in-Capital of the Company. This conversion of debt to equity represented a non-cash financing activity. In addition, the parent company transferred all the issued and outstanding stock of Columbia Chain, Ltd., an unaffiliated corporation formed under the laws of the Turks and Caicos Islands to the Company, thereby making Columbia Chain, Ltd. a wholly owned subsidiary.

(2) Description of Operations:

The Company is engaged in the business of designing, manufacturing, and marketing gold and silver jewelry, including handmade rope chains and rings and earrings, watches and etc., some set with diamonds and semiprecious gemstones. The design and some of the manufacturing operations are performed at the Company's facility in New York. Other fabrication including handweaving, is performed at the Company's facility in the Dominican Republic.

(3) Principles of Consolidation:

The Financial Statements include the operations of the Company and its wholly owned subsidiary Columbia Chain, Ltd.; all operations are on a combined basis. All significant intercompany transactions and accounts have been eliminated in the consolidation.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

ACCOUNTS RECEIVABLE:

(a) The Company ships goods to its customers in line with the credit limitations of a credit insurance policy.

(b) In a prior year, Bali Jewelry, Ltd. had filed a U.C.C. on its accounts receivable in favor of the French American Banking Corp., which at that time provided financing for Bali Jewelry, Ltd. In April 1988, Bali Jewelry, Ltd. repaid its obligation to the French American Banking corp. and the U.C.C. filing should have been removed. Nonetheless, to this date the U.C.C. filing has not been withdrawn.

INVENTORIES:

Inventories include gold in bullion form, in various karat values ranging from 10K to 24K (.9999 pure), and gold wire, gold in process of chain manufacturing, and finished gold rope chain of various sizes and designs and gold jewelry, and also silver bulk and in jewelry form, and manufacturing supplies. Inventories are priced at lower of cost or market on a first-in first-out basis. Details were as follows:

	December, 1991	September 30, 1991
Bullion	$1,062,000	$ 903,240
Work in Process	3,770,415	3,169,170
Finished Goods	2,402,730	2,044,130
Supplies	191,635	199,153
Totals	$7,426,780	$6,315,693

LOAN PAYABLE TO PRIVATE BRANDS, INC.:

As of March 31, 1989 the Company owed a total of $6,278,168 to its parent, Private Brands, Inc., primarily for funds that Private Brnds, Inc. had borrowed from its banks, primarily for the working capital needs of the Company. On March 31, 1989 Private Brands, Inc. converted $2,000,000 of this debt into Shareholders Equity of the Company. The balance of $4,278,168 was handled as follows: (a) $1,300,000 was repaid to the banks and (b) $602,640 was repaid to Private Brands, Inc. from the proceeds of initial public offering. An additional $309,462 was paid, subsequently bringing the new balance owed to Private Brands, Inc. at September 30, 1990, to $2,066,066. During the year ended September 30, 1991, this balance increased by $124,684, bringing the total to $2,190,750. As of December 31, 1991 the balance owed was $2,812,564. This balance is shown as a current liability. The Company pays interest to Private Brands, Inc. on this debt at prime plus 1%. There is no fixed schedule for the repayment of this obligation.

BALI JEWELRY, LTD.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 1991

ACCRUED EXPENSES AND INCOME TAXES PAYABLE:

Details were as follows:

	December 31, 1991	September 30, 1991
Income taxes payable	$ 19,207	$ 9,905
Accrued expenses and other taxes	54,335	35,066
Totals	$ 73,542	$ 44,971

RECAPITALIZATION:

a) At a shareholders' meeting on December 31, 1990 the Company amended its Certificate of Incorporation to allow it to issue 5,000,000 shares of Preferred Stock, $.001 par value.

DEFERRED CHARGES:

This represents advance payments made on two leases with the Industrial Promotion Corporation in the Zona Franca of the Dominican Republic. These charges are being amortized over the terms of the leases (5 and 15 years).

BANK LOAN PAYABLE:

This represents an unsecured loan payable to a foreign bank. The original agreement with the bank called for a credit line of $2,000,000 which was to be repaid at the end of one year. The bank has extended additional credit above that line. The loan has not been repaid to date. The current rate of itnerest charged on this loan is 6% plus 1 1/4% per annum.

RELATED PARTY TRANSACTIONS:

a) Bali Jewelry, Ltd. pays interest to its parent, Private Brands, Inc. on the outstanding balance of intercompany loans payable to Private Brands, Inc. at an average interst rate of one percent above prime.

b) Other Loans Payable-Net represents short-term loans, payable primarily to persons who are shareholders of the Company or to family related businesses. The loans are non-interest bearing and are unsecured.

c) The Company leases space from its parent company in Brooklyn at an annual rental of $12,000.

BALI JEWELRY, LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED DECEMBER 31, 1991

Net sales decreased approximately 26% for the three months ended December 31. The gross profit percentage remained the same. Operating expenses in the quarter decreased, except for interest expense, which increased due to the acquisition of a bank loan from NMB Bank. Cash flow generated by the Company's operations is deemed adequate to meet the Company's financial obligations.

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

1. (a) Exhibits: None
   (b) No report on Form 8-K was filed by the Company during the months of

ALL OTHER ITEMS ARE NOT APPLICABLE OR NONE

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BALI JEWELRY, LTD.
50 Wallabout Street
Brooklyn, New York 11211
(Registrant)

By ______________________________
Naftole Schlesinger, President

By ______________________________
Yitchak Schlesinger, Secretary and Treasurer

Dated:

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92 14 7043

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

D92-2236

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

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Commission file number 0-935

BELL NATIONAL CORPORATI
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

94-1451828 L-30
(I.R.S. employer identification no.)

115 East Putnam Avenue Greenwich, Connecticut
(Address of principal executive offices)

06830
(Zip code)

Registrant's telephone number, including area code: (203) 661-1069

____
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No ____

As of May 12, 1992, the number of shares of the registrant's common stock outstanding is 5,274,186.

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Part I - Financial Information

ITEM 1. Financial Statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Cash and cash equivalents	$ --	$ --
Accounts receivable, net	1,253	1,224
Inventory, net	4,041	3,664
Prepaid expenses and other current assets	111	80
Total current assets	5,405	4,968
Property and equipment, net of accumulated depreciation	446	475
Goodwill, net of accumulated amortization	762	767
Deferred sample books, net of accumulated amortization	1,310	1,394
Other assets	17	17
	$ 7,940	$ 7,621

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Liabilities:		
Accounts payable	$ 1,247	$ 1,228
Current portion of capitalized lease obligations and $4,448 and $4,153 of notes payable in default at March 31, 1992 and December 31, 1991, respectively	4,512	4,217
Accrued compensation and employee benefits	418	433
Other current liabilities	549	471
Total current liabilities	6,726	6,349
Accrued stock appreciation rights	213	213
Capital lease obligations, less current portion	64	79
	7,003	6,641
Shareholders' equity:		
Common stock, no par value; authorized 12,000,000 shares, issued and outstanding 5,274,186 shares at March 31, 1992 and December 31, 1991	15,797	15,797
Additional paid-in capital	10	10
Accumulated deficit	(14,870)	(14,827)
Total shareholders' equity	937	980
	$ 7,940	$ 7,621

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net sales	$ 3,189	$ 3,272
Costs and expenses:		
Cost of sales	1,592	1,615
Selling, general and administrative	1,550	1,710
Operating income (loss)	47	(53)
Other income (expense):		
Interest expense	(109)	(147)
Interest income	5	3
Other	15	16
Loss before income taxes	(42)	(181)
Provision (benefit) for income taxes	1	(10)
Net loss	$ (43)	$ (171)
Net loss per common share	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	5,274,186	5,274,186

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in Thousands)
(Unaudited)

	Common Stock		Additional Paid-in	Accum-ulated	Total Shareholders'
	Shares	Dollars	Capital	Deficit	Equity
Balance at December 31, 1991	5,274,186	$ 15,797	$ 10	$(14,827)	$ 980
Net loss				(43)	(43)
Balance at March 31, 1992	5,274,186	$ 15,797	$ 10	$(14,870)	$ 937

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net loss	$ (43)	$ (171)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	36	37
Amortization of goodwill	5	5
Amortization of deferred sample books	238	247
Accretion of discount on notes payable to Azimuth	8	8
Provision for doubtful accounts and sales returns	2	--
(Increase) decrease in assets:		
Accounts receivable	(31)	(129)
Inventory	(377)	168
Prepaid expenses and other current assets	(31)	(125)
Increase (decrease) in liabilities:		
Accounts payable	19	(145)
Accrued compensation and employee benefits	(15)	(10)
Other current liabilities	78	104
Net cash used in operating activities	(111)	(11)
Cash flows from investing activities:		
Acquisition of property and equipment	(7)	(10)
Purchase of deferred sample books	(154)	(238)
Net cash used in investing activities	(161)	(248)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	287	270
Principal payments on capital lease obligations	(15)	(14)
Net cash provided by financing activities	$ 272	$ 256

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net decrease in cash and cash equivalents	$ --	$ (3)
Cash and cash equivalents at beginning of period	--	3
Cash and cash equivalents at end of period	$ --	$ --

Supplemental Disclosure of Cash Flow Information

	1992	1991
Cash paid during the year for:		
Interest	$ 86	$ 117
Income taxes	3	18
Cash received during the year for		
Interest income	--	3

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992
(Unaudited)

Note 1 The Company

General. The information contained in this report is unaudited but, in management's opinion, all adjustments necessary for a fair statement of results have been included. The results for the three months ended March 31, 1992 are not necessarily indicative of results to be expected for the entire year. These financial statements and notes should be read in conjunction with Bell National Corporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 1991.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of March 31, 1992, the Company was not in compliance with various covenants of its debt agreement with Continental Bank, N.A. (the "Bank"). Under terms of the credit agreement, if the Company fails to meet the terms of the agreement, the Bank may request immediate payment of the outstanding principal, interest and fees (the "Bank Debt"). However, the Bank has waived its right to require payment of the Bank Debt through March 31, 1992. The Company foresees no need to, and has therefore made no attempt to, secure alternative financing, and it is not certain that any alternative financing would be available. In the event that the Bank requires payment of the Bank Debt and no alternative financing is available, the Company may be unable to continue operations.

The Company and the Bank have reached an agreement in principle for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Revenues and Expenses. The Company's revenues and expenses result from the operations of Payne Fabrics, Inc. The Company's sales of $3,189,000, cost of goods sold of $1,592,000 and selling, general and administrative expenses of $1,550,000, yielded operating income of $47,000 during the first quarter of 1992. Sales during the first quarter of 1992 decreased by $83,000 compared to the same period in 1991, while the gross profit percentage decreased slightly by .5% in 1992. The resulting $60,000 decrease in gross profit during the first quarter of 1992 compared to 1991, was offset by a larger decrease in selling, general and administrative expenses of $160,000. The decrease in selling, general and administrative expense was the result of steps taken during the fourth quarter of 1991 to reduce costs in the sales and marketing areas. As a result, operating income increased by $100,000 during the first quarter of 1992 compared to 1991.

The continuing poor sales volume was caused by various factors which include poor regional economies, the economic difficulties of some independent distributors, poor consumer confidence in general and weakness in the furniture and fabrics industries.

Interest expense decreased from $147,000 for the first quarter of 1991 to $109,000 for the first quarter of 1992. The $38,000 decrease is attributable to a decrease in the prime rates and lower debt balances.

As a result of the increase in operating income and decrease in interest expense, the net loss decreased from $171,000 for the first quarter of 1991 to $43,000 for the first quarter of 1992.

Liquidity and Capital Resources

Available Resources. The Company's consolidated unrestricted cash position at March 31, 1992 was $0. In connection with the Loan Agreement, the Company instituted a cash management system whereby the net cash generated by operations is immediately used to reduce Bank Debt. The immediate reduction of outstanding debt provides the Company with a greater reduction in interest expense than could be offset with interest income from alternative investments. In the absence of the Loan Agreement requiring such a system, the Company would continue to use excess funds to immediately reduce Bank Debt since it currently provides the Company with its best return. A review of the financial statements, summary data, working capital and discussion of liquidity must take into consideration, that the Company does not maintain any cash balances in any of its accounts by design. Working capital needs, when they arise, are met by daily borrowings.

As noted above, the Company was unable to meet certain covenants required by its line of credit with the Bank. However, the Bank has waived its right to require payment of the Bank Debt through March 31, 1992. Although Management has no reason to believe that the Bank will require immediate payment of the Bank Debt, the lack of an alternative line of credit, has caused the classification of all debt as current liabilities.

The Company and the Bank have reached an agreement in principal for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992.

Future Needs For and Sources of Capital. The Company believes that cash to be provided by operations and funds available under its line of credit will be sufficient to fund the Company's 1992 cash needs, provided that the Bank does not require payment of all bank debt in 1992. The Bank has waived its right to require payment of the Bank Debt through March 31, 1992. As discussed in the preceding section, the Company has reached an agreement in principle, for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992. Under the terms of its current credit agreement, the Company is provided with a line of credit that provides for borrowings to meet working capital requirements. The line calls for monthly payment of interest, quarterly payments of commitment fees and quarterly reductions in the available credit limit. At March 31, 1992, the total credit limit is $4,010,000 ($3,944,000 outstanding at March 31, 1992).

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits - none

b. Reports on Form 8-K - none

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BELL NATIONAL CORPORATION
(Registrant)

Date: May 12, 1992

Alexander M. Milley, Chairman of the Board
and Secretary

Date: May 12, 1992

Thomas R. Druggish, Chief Financial Officer
(Principal Financial Officer and Accounting
Officer)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended May 31, 1992 Commission File Number 0-13050

CONGRESS STREET PROPERTIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

64-0690314
(IRS Employer Identification No.)

300 One Jackson Place
188 East Capitol Street
P. O. Box 22728
Jackson, Mississippi
(Address of principal executive offices)

39225-2728
(Zip Code)

Registrant's telephone number, including area code (601)948-4091

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (a) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

1,283,305 shares of common stock ($.10 par value) including 207,896 shares of common stock held in treasury.

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CONGRESS STREET PROPERTIES, INC.

FORM 10-Q

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Signatures

Authorized signature 10

Consolidated Balance Sheets
(In thousands)

	May 31, 1992 (Unaudited)	August 31, 1991
Assets		
Real estate investments:		
Real estate companies	$10,390	12,211
Real estate owned: Non-earning	447	447
Real estate partnerships	(726)	(588)
Less allowance for possible losses	(126)	(126)
	9,985	11,944
Notes and mortgage loans receivable	32	32
Cash	36	27
Other	160	184
	$10,213	12,187
Liabilities and Shareholders' Equity		
Liabilities		
Note payable to bank	$ 1,471	1,625
Note payable to affiliate	405	250
Amounts payable to affiliate, net	107	13
Deferred gain	106	823
Deferred income taxes	33	106
Other liabilities	109	105
	2,231	2,922
Shareholders' Equity		
Common Stock, $.10 par value, authorized - 3,000,000 shares; issued and outstanding - 1,283,305 shares	128	128
Capital in excess of par value	12,818	12,818
Deficit	(3,442)	(2,087)
	9,504	10,859
Less: Treasury shares at cost - 207,896 shares in 1992 and 1991	(1,519)	(1,519)
Unrealized loss on securities	(3)	(75)
	7,982	9,265
	$10,213	12,187

See notes to consolidated financial statements

Consolidated Statements of Operations And Deficit (Unaudited)

(In thousands, except per share data)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	1992	1991	1992	1991
Income:				
Equity in losses of real estate companies	$ (661)	(770)	(700)	(519)
Equity in losses of partnerships	(86)	(112)	(293)	(359)
Loss on securities	(853)	-	(853)	-
Interest	7	7	21	18
Other income	5	1	5	4
	(1,588)	(874)	(1,820)	(856)
Expenses:				
Interest	39	45	117	132
General and administrative	66	44	173	178
Real estate owned expenses	-	-	1	6
	105	89	291	316
Loss before income taxes, gain on sale of real estate	(1,693)	(963)	(2,111)	(1,172)
Income tax benefit	95	44	73	53
Loss before gain on sale of real estate	(1,598)	(919)	(2,038)	(1,119)
Gain on sale of real estate investment	-	-	683	16
Net Loss	(1,598)	(919)	(1,355)	(1,103)
Deficit at beginning of period	(1,844)	(429)	(2,087)	(245)
Deficit at end of period	$ (3,442)	(1,348)	(3,442)	(1,348)
Loss per share:				
Loss from operations	$ (1.49)	(.85)	(1.90)	(1.03)
Gain on sale of real estate	-	-	.64	-
Net Loss	$ (1.49)	(.85)	(1.26)	(1.03)
Weighted average outstanding shares	1,075,409	1,075,409	1,075,409	1,075,409

See notes to consolidated financial statements

Consolidated Statements Of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended May 31,	
	1992	1991
Operating Activities:		
Net loss	$(1,355)	(1,103)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	-	1
Equity in losses of real estate companies and partnerships	993	878
Loss on securities	853	
Dividends received from real estate companies	340	339
Gain on real estate sold	(683)	(16)
Deferred income taxes	(73)	(64)
Changes in operating assets and liabilities:		
Decrease in other assets and receivables	24	26
Increase in accounts payable and accrued expenses	98	20
Net cash provided by operating activities	197	81
Investing Activities:		
Increase (decrease) in deferred gain	(34)	78
Proceeds from real estate sold	-	147
Advances to partnerships	(155)	(217)
Mortgage loan collections	-	3
Net cash provided by investing activities	(189)	11
Financing Activities:		
Proceeds from line of credit	1,352	1,658
Proceeds from notes payable to affiliate	170	250
Principal payments on line of credit	(1,506)	(1,671)
Principal payments on notes payable to affiliate	(15)	(352)
Net cash used by financing activities	1	(115)
Increase (decrease) in cash	9	(23)
Cash and cash equivalents at beginning of period	27	44
Cash and cash equivalents at end of period	$ 36	21

See notes to consolidated financial statements

NOTE A - BASIS OF PRESENTATION

The accompanying financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The financial statements should be read in conjunction with the annual report and the notes thereto.

NOTE B - INVESTMENTS IN REAL ESTATE COMPANIES AND PARTNERSHIPS

A writedown of $853,000 was recorded at May 31, 1992 to reduce the Company's stock investment in Rockwood to zero due to the court decision against Rockwood (see Note C) and the minimal market value of this investment at May 31, 1992.

Investments in real estate companies consist of:

Equity Method Investee	May 31, 1992 Ownership Percentage	Investment (In thousands)	Market Value
The Parkway Company..............	44.92%	$10,189	$ 3,190
Rockwood National Corporation....	9.44%	-	58
Eastover Bank for Savings........	.1%	201	(a)
		$10,390	

(a) As disclosed previously, the two market makers for Eastover Bank stopped quoting markets on the NASDAC system in December 1988.

Equity in losses of Rockwood are no longer being recorded due to the writedown of the stock investment in Rockwood discussed previously.

The condensed unaudited statements of income from which the Company has recorded its equity in losses of real estate companies are as follows:

	Nine Months Ended (In thousands) Parkway Mar. 31 1992	Six Months Ended (In thousands) Rockwood Dec. 31 1991
Revenues..................	$ 3,057	$ 497
Expenses..................	(5,480)	(993)
Income tax expense.........	(14)	-
Net loss..................	$(2,437)	$ (496)
Equity in losses recorded by Congress Street	$ (624)	$ (47)

NOTE C - SUBSEQUENT EVENTS

Rockwood, an equity method investee of the Company, is a defendant in class action and other litigation which relates to the debentures of a former subsidiary of Rockwood. The total principal amount of the debentures involved in the litigation is $6,331,000. The plaintiffs in the litigation are seeking an unspecified amount of actual damages plus punitive damages and treble damages under the Racketeer Influenced and Corrupt Organizations Act. On September 4, 1990, the District Court ruled that the plaintiffs' claims against Rockwood were barred by the applicable statutes of limitation. The plaintiffs appealed the District Court decision to the United States Court of Appeals for the Second Circuit. On January 6, 1992, the Second Circuit reversed the decision by the District Court. The Second Circuit's decision also holds that Rockwood is liable as successor to Computer under the terms of the indentures for the unpaid principal amount of, and all accrued interest upon, the debentures at issue in these lawsuits.

Rockwood has no funds available with which to pay any judgement that would be rendered against it in these lawsuits. Rockwood is currently negotiating with the Plaintiffs in the lawsuits to settle the claims against Rockwood in exchange for securities of Rockwood and a small amount of cash. There can be no assurance that Rockwood will be able to reach an agreement with the Plaintiffs and, in the event no such agreement is reached, Rockwood may be forced to seek protection from its creditors under the United States Bankruptcy Code.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

(Comments are for the consolidated balance sheet dated May 31, 1992 compared to the consolidated balance sheet dated August 31, 1991).

Assets of the Company declined to $10,213,000 at May 31, 1992, compared to $12,187,000 at August 31, 1991. The investments in real estate companies decreased $1,821,000 due to equity in losses of $700,000 and by dividends received of $340,000 offset by a decrease in the unrealized loss on securities of $72,000.

A writedown of $853,000 was made at May 31, 1992 to reduce the Company's stock investment in Rockwood to zero. Rockwood, an equity method investee of the Company, is a defendant in class action and other litigation which related to the debentures of a former subsidiary of Rockwood. On September 4, 1990, the District Court ruled that the Plaintiff's claims against Rockwood were barred by the applicable statue of limitation. The Plaintiffs appealed the District Court decision to the United States Court of Appeals for the Second Circuit. On January 6, 1992, the Court of Appeals reversed the decision by the District Court and held that Rockwood is liable as successor to its former subsidiary under the terms of the indentures for the unpaid principal amount of and all accrued interest upon the debentures at issue in these lawsuits. The writedown of the Company's stock investment in Rockwood was recorded due to this court decision and the minimal market value of Rockwood at May 31, 1992.

The deferred gain from the sale of Eastover Bank Building decreased $717,000. The Company had deferred approximately $827,000 due to several contingencies on the sale of the building at August 31, 1990. The Company had guaranteed $41,000 per month of net operating income which expired on January 31, 1992. After that contingency expired, the Company was able to recognize $683,000 of deferred gain. The remainder of the deferred gain will be recognized upon the maturity of the capital improvement line of credit.

Real estate partnerships decreased $138,000 due to losses recorded from One Place Partners of $293,000 offset by net advances of $155,000.

RESULTS OF OPERATIONS

(Comments are for the three months and nine months ended May 31, 1992, compared to the three months and nine months ended May 31, 1991.)

Equity in earnings (losses), for the comparison periods are as follows:

Company	Nine Months Ended May 31, 1992	Nine Months Ended May 31, 1991
The Parkway Company	$(624,000)	$ 58,000
Rockwood National Corp.	(47,000)	(561,000)
Eastover Bank for Savings	(29,000)	(16,000)
	$(700,000)	$(519,000)

Equity in losses of Rockwood are no longer being recorded due to the $853,000 writedown of the stock investment in Rockwood discussed previously. The Parkway Company also recorded a $2,151,000 writedown of their investment in Rockwood during March 1992. This writedown accounted for the majority of the equity loss of $624,000 recorded on Parkway operations by Congress Street.

Equity in losses of the real estate partnership, One Place Partners for the nine months ended May 31, 1992 and 1991 were $293,000 and $356,000, respectively.

A gain of $683,000 was recognized from the deferred gain from the sale of the Eastover Bank Building as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Sources of funds for the nine month period ended May 31, 1992 were dividends from investments in real estate companies and proceeds from borrowings. Operating expenses, interest expense, and repayment of bank debt utilized the majority of the funds generated.

The Company's cash needs are in three major areas; general and administrative expenses, which are expected to be funded from the dividends received from Parkway, capital advances to the One Place Partners partnership, which are expected to be funded from borrowings from Parkway, and the unfunded capital improvement line on the Eastover Bank Building, which is expected to be funded from a line of credit with a bank.

At May 31, 1992, the Company had $36,000 in cash and $29,000 available for future cash needs under the existing $1,500,000 line of credit, which matures July 31, 1992. Management reasonably believes that it will be able to maintain current bank financing, and the credit available to it and along with dividends from Parkway, is expected to meet the Company's projected cash needs.

CONGRESS STREET PROPERTIES, INC.

PART II. OTHER INFORMATION

Item 5. Other Information

During the period the following documents were filed by Registrant or others on its behalf:

Company	Document Filed
None	None

Item 6. Exhibits and reports on Form 8-K

No exhibits or reports on Form 8-K were filed during the reporting period.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: June 14, 1992

CONGRESS STREET PROPERTIES, INC.

BY: Susan D. Egger
Susan D. Egger
Controller

BY: Sarah P. Clark
Sarah P. Clark
Vice-President

0 29973
CI- 34834

Signed
15

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

92865541

F92-2236

SEC MAIL PROCESSING
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WASH., D.C.

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended January 31, 1992

PROCESSED BY
15-15-Z
MAR 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Direct Connect International Inc.
700 Godwin Avenue
Midland Park, New Jersey 07432
(201) 445-2101

0-18288

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AVAILABLE

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________.

Commission File Number

0-18288

DIRECT CONNECT INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-2705223 (I.R.S. Employer Identification No.)
700 Godwin Avenue Midland Park, New Jersey (Address of principal executive offices)	07432 (Zip Code)

Registrant's telephone number, including area code - (201) 445-2101

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 1992: 7,562,066.

DIRECT CONNECT INTERNATIONAL INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DIRECT CONNECT INTERNATIONAL INC. AND SUBSIDIARY
Consolidated Balance Sheets

	January 31, 1992 (Unaudited)	April 30, 1991
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 30,836	$ 242,665
Certificates of deposit (restricted)	84,915	144,864
Accounts receivable - trade	34,408	23,318
Inventories	275,000	631,161
Notes receivable - officers	169,814	156,140
Advance to contractor	104,679	99,504
Prepaid royalties	235,440	205,440
Prepaid expenses	11,482	53,815
Total current assets	946,574	1,556,907
Fixed assets - at cost:		
Furniture and fixtures	35,698	34,390
Molds, tools, and dies	313,075	294,974
	348,773	329,364
Less: Accumulated depreciation	91,013	42,020
	257,760	287,344
Security deposits	854	2,354
Organization expense-net of accumulated amortization of $945 at January 31, 1992; $851 at April 30, 1991	- 0 -	94
	$ 1,205,188	$1,846,699
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 254,769	$ 219,340
Accrued expense and taxes payable	159,705	94,316
Notes payable - shareholders	278,179	274,645
Total current liabilities	692,653	588,301
Commitments and contingencies		
Shareholders' equity:		
Preferred stock: Authorized 5,000,000 shares, $.001 par value; issued and outstanding - none	-0-	-0-
Common stock: Authorized 15,000,000 shares, $.001 par value; issued and outstanding - 7,562,066 shares	7,562	7,562
Capital in excess of par value	2,628,924	2,628,924
Deficit	(2,123,951)	(1,378,088)
Total shareholders' equity	512,535	1,258,396
Total liabilities and shareholders' equity	$ 1,205,188	$ 1,846,699

DIRECT CONNECT INTERNATIONAL INC.
AND SUBSIDIARY
Consolidated Statements of Operations

	For the Three Months Ended		For the Nine Months Ended	
	January 31 1992	January 31 1991	January 31 1992	January 31 1991
	(Unaudited)		(Unaudited)	
Revenues:				
Sales	$ 426,691	$ 46,700	$1,454,995	$ 836,749
Expenditures:				
Cost of goods sold	400,868	27,457	1,061,905	643,139
Royalties/Licensing Fees	(6,369)(a)	10,703	137,223(a)	138,985
Product development cost	42,896	1,750	72,398	1,750
Depreciation and amortization	16,330	11,439	49,087	25,112
Selling, general and administrative expense	305,242	238,940	853,560	743,977
	758,967	290,289	2,174,173	1,552,963
Operating Loss	(332,276)	(243,589)	(719,178)	(716,214)
Interest/Dividends on certificates of deposit and other cash equivalents	4,287	13,706	15,529	69,546
Interest expense	(7,014)	—	(42,214)	—
Net Loss	($ 335,003)	($ 229,883)	($ 745,863)	($ 646,668)
Loss per share	($ .04)(b)	($ .03)(c)	($ .10)(b)	($ .08)(c)

(a) Royalties paid amounting to $18,000 were adjusted in the current period due to an over accrual in the prior three month period.

(b) Based upon 7,562,066 weighted average number of common shares outstanding during the period ended January 31, 1992

(c) Based upon 8,041,666 weighted average number of common shares outstanding during the period ended January 31, 1991

DIRECT CONNECT INTERNATIONAL INC. AND SUBSIDIARY

Consolidated Statements of Cash Flow

	For the Nine Months Ended January 31, 1992 (Unaudited)	For the Nine Months Ended January 31, 1991 (Unaudited)
Cash Flows From Operating Activities:		
Net income (loss)	$ (745,863)	$ (646,668)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,087	25,112
	(696,776)	(621,556)
Decrease (increase) in assets:		
Accounts receivable-trade	(11,090)	116,291
Prepaid royalties	(30,000)	(117,500)
Prepaid expenses	42,333	(16,728)
Advance due to contractor	(5,175)	74,725
Inventory	356,161	(284,449)
Increase (decrease) in liabilities:		
Accounts payable	35,429	102,838
Accrued expenses and taxes payable	65,389	(44,021)
Total adjustments	453,047	(168,844)
Net cash used in Operating activities	(243,729)	(790,400)
Cash Flows From Investing Activities:		
Certificates of deposit (restricted)	59,949	(138,091)
Notes receivable-officers	(13,674)	(18,589)
Acquisition of molds, tools and dies	(18,101)	(242,835)
Acquisition of fixed assets	(1,308)	(11,752)
Decrease in security deposits	1,500	150
Net cash used in investing activities	28,366	(134,935)
Cash Flows From Financing Activities:		
Notes payable - shareholders	3,534	—
Sale of Common Stock - Net of offering expenses	—	(125,262)
Net cash provided by financing activities	3,534	(125,262)
Net decrease in cash and cash equivalents	(211,829)	(1,050,597)
Cash and cash equivalents at beginning of period	242,665	1,126,751
Cash and cash equivalents at end of period	$ 30,836	$ 76,154
Supplemental Disclosures of Cash Flow Information:		
Schedule of non-cash investing and financing activities:		
Common Stock delivered to executive officer from treasury shares	$ -0-	$ 2,500

DIRECT CONNECT INTERNATIONAL INC.
AND SUBSIDIARY

Notes to Financial Statements

1. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly (a) the financial position as of January 31, 1992 and April 30, 1991, (b) the results of operations for the three and nine months ended January 31, 1992 and January 31, 1991 and (c) changes in cash flows for the nine months ended January 31, 1992 and January 31, 1991.

2. Refer to the audited financial statements for the fiscal year ended April 30, 1991 for details of accounting policies and accounts, none of which have changed significantly in composition since that date.

3. The Company has available carry forward losses applicable to the reduction of future Federal income taxes aggregating approximately $2,215,000 at January 31, 1992 and which expire during the years 2003 to 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS AND NINE MONTHS ENDED JANUARY 31, 1992

Background

The Company designs, develops, markets and distributes a variety of infant and preschool toy products which are manufactured in the Far East. The Company introduced its initial product line in January 1987 which included its proprietary infant and preschool toys, general soft toys, sound activated toys and seasonal toys. As set forth below, the Company made a decision to use its resources during 1988 to develop a significant and consumer recognized product line in a license/royalty program rather than devote its resources to developing sales of its proprietary products which the Company believed would not provide comparable growth in its business. Management believes that its decision to distribute lines of products based on well-established consumer recognized characters and brands will result in a long-term business and reduces the possibility of a change in the direction of its operations. The Company entered into exclusive license arrangements to sell products consisting of the full range of Muppets^{tm} and Muppet Babies^{tm} characters marketed under the trademarks Jim Henson's Muppets^{tm} and Muppet Babies^{tm} and a full range of baby products including infant and preschool toys and accessories under the trademark Dr. Denton^{R}. Subsequent to the 1990 fiscal year, the Company entered into an exclusive license arrangement to sell dressed soft-bodied dolls consisting of characters known as The Little Raggedys^{tm}, which included Little Raggedy Ann^{tm}, Little Raggedy Andy^{tm} and associated Little Raggedy^{tm} characters with an option which the Company exercised to sell nursery toys relating to such characters. The Company also entered into a license arrangement with the creators of Bozo the Clown^{tm} to sell Bozo's Clown Babies^{tm} and related animal character stuffed toys. The Company has also entered into exclusive license agreements to sell stuffed figures for the Chipmunks^{R} and Chipettes^{tm}, stuffed toy figures for Popeye^{R} and related characters, stuffed toys and dolls based on characters from Viacom's Nickelodeon^{R} TV Cable Network children's program, Eureeka's Castle^{tm}, stuffed toy figures for the Berenstain Bears^{tm} and stuffed figures for Hanna-Barbera's famous characters including The Flintstones^{tm}, Jetsons^{tm}, Scooby Doo and Friends^{tm} and Yo Yogi.^{tm}

Results of Operations

Net Sales

Net sales for the three and nine month periods ended January 31, 1992 amounted to $426,691 and $1,454,995, respectively, as compared to $46,700 and $836,749 respectively, for the same periods in the prior fiscal year.

Substantially all of the sales consisted of Muppets^{tm} and Muppets Babies^{tm} products. The Dr. Denton^{R} product line, which is largely manufactured of molded hard plastic materials, required a longer development time before tooling and molds were in place. The Company introduced the initial line during the Company's third quarter of fiscal 1991 with significant shipments expected to begin early in fiscal 1993.

Significant shipments of the Company's Little Raggedys^{tm}, Bozo's Clown Babies^{tm}, Chipmunks^{R} and Chipettes^{tm}, Popeye^{R} and Eureeka's Castle^{tm} product lines are expected to begin early in fiscal 1993.

At January 31, 1992 the Company had a backlog of approximately $220,000 in sales orders compared to a backlog of approximately $-0- in sales orders at January 31, 1991.

In order to arrive at the completed stage, the Company's products must go through the following processes: product concept and design, product development and engineering, pre-production approval and product manufacture and distribution. For the nine months ended January 31, 1992, the Company incurred approximately $20,000 in capital expenditures for tooling and molds. The Company currently anticipates incurring a total of $35,000 of costs for tooling and molds in fiscal 1992 based on successful distribution of its products.

Currently, substantially all of the Company's sales are made on a direct import basis to customers and, as a result, there is no need to finance any inventory. However, in order to support the Dr. Denton^{R} product line, the Company has taken an inventory position currently aggregating $275,000. This inventory is fully paid.

Gross Profit

Gross Profit percentage changed from 41% and 23% for the three and nine month periods ended January 31, 1991, respectively, to 6% and 27% for the three and nine month periods ended January 31, 1992, respectively. The significant change was due primarily to promotional discounts given in the current three month period to raise cash for working capital requirements. The Company expects to continue its promotional discounts during the balance of fiscal 1992 and expects that its gross profit percentage will be approximately 10% during the balance of fiscal 1992 for sales of its products.

Royalties/Licensing Fees

For the nine month period ended January 31, 1992 royalties of $137,223 were paid as compared to $138,985 for the nine month period ended January 31, 1991. Royalties/Licensing fees as a percentage of sales are expected to remain constant during the balance of fiscal 1992. Royalties/licensing fees for the three month period ending January 31, 1992 were adjusted to reflect an over accrual amounting to $18,000 in the prior three month period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three and nine month periods ended January 31, 1992 were $305,242 and $853,560, respectively, as compared to $238,940 and $743,977, respectively, for the corresponding periods in the prior year. The following table shows the major components.

	Three Months Ended		Nine Months Ended	
	01/31/92	01/31/91	01/31/92	01/31/91
Salaries, payroll taxes and employee benefits	$ 92,136	$ 79,188	$277,827	$230,097
Travel and entertainment	16,462	30,895	50,201	77,085
Professional fees	27,621	23,552	101,752	117,875
Insurance	10,388	7,490	28,737	22,548
Rent and office expense	24,748	17,817	92,912	64,973
Advertising and promotion	54,968	31,742	84,231	130,098
Other	45,390	14,701	89,775	66,730
Warehouse & freight in	20,338	32,407	86,926	33,423
Commissions	13,191	1,148	41,199	1,148
	$305,242	$238,940	$853,560	$743,977

Professional fees were $27,621 and $101,752 for the three and nine month periods ended January 31, 1992, respectively, as compared to $23,552 and $117,875 for the three and nine month periods ended January 31, 1991, respectively. This overall decrease was due to the reduction of professional services. Commissions, advertising and travel and entertainment expenses amounted to $84,621 and $175,631 for the three and nine month periods ended January 31, 1992, respectively, as compared to $63,785 and $208,331 for the three and nine month periods ended January 31, 1991, respectively. This overall decrease resulted from the Company's cost management efforts and the addition of outside sales representatives which bore more of these costs in the current nine month period; however, in an effort to stimulate sales, the Company increased its promotional costs during the three month period ended January 31, 1992.

Warehouse expense amounted to $20,338 and $86,926 for the three and nine month periods ended January 31, 1992, respectively, as compared to $32,407 and $33,423 for the three and nine month periods ended January 31, 1991. This expense was due to the domestic inventory position the Company maintained during these periods.

For the three and nine month periods ended January 31, 1992, salaries and related expenses were $92,136 and $277,827, respectively, as compared to $79,188 and $230,097 for the three and nine month periods ended January 31, 1991, respectively. The increase in salaries and related expenses was primarily attributable to the inclusion of the salary and related expenses of the Senior Vice President - Sales pursuant to an employment contract and the salary and related expenses of an Administrative Assistant and general employee salary increases.

Other

At January 31, 1992, the Company had available carry forward losses applicable to the reduction of income taxes of approximately $2,215,000 which expire during the years 2003 to 2006.

Liquidity and Capital Resources

In November and December 1989, as a result of the consummation of an initial public offering of its securities, the Company received the aggregate net amount of $2,304,542 from the sale of 2,875,000 newly-issued shares of common stock and warrants exercisable for an additional 4,312,500 shares of common stock. Of the amount received, approximately $720,000 was applied to the payment of all outstanding indebtedness and accounts payable. The balance of the net proceeds from such offering was used for increased product development, product inventory, marketing and promotion and working capital.

In order to supplement its cash flow, the Company, on March 6, 1991, entered into loan agreements with several investors whereby the Company borrowed an aggregate of $282,000 for six months with interest at the semiannual rate of 14.5%. As part of such transaction, the Company issued to such investors, in a private placement, an aggregate of 17,000 shares of its common stock, on a restricted basis, for an aggregate consideration of approximately $22,000. In October 1991, the Company paid off $32,000 (plus accrued interest) with respect to such loans. At such time the Company renegotiated the balance of such loans (plus accrued interest) and issued new notes, maturing in one year, amounting to $276,000 with interest thereon at the annual rate of 10%

At January 31, 1992, the Company had a cash and cash equivalent balance of $115,751 of which $84,915 are restricted funds, as compared to a cash and cash equivalent balance of $387,529, which included $144,864 of restricted funds at April 30, 1991, a decrease of $271,778. This decrease was principally due to cash outlays from operating activities of $243,729 resulting from a net cash loss for the nine months ended January 31, 1992 which was partially offset by receipts of $3,534 from financing activities relating to the increase in, and restructuring of, notes payable, and the receipt of security deposits in the amount of $1,500. Additional reductions of cash resulted from the purchase of molds amounting to approximately $20,000 and an increase in notes receivable from officers in the amount of $13,674 and the acquisition of office equipment for $1,308. The Company expects, although there can be no assurance, that cash provided from operations together with this cash surplus will be sufficient to satisfy the Company's working capital and normal capital expenditure needs over the next three months. The Company expects to be able to handle its cash flow needs as a result of anticipated business over the next several months. The Company will continue to experience cash flow difficulties if such business does not materialize according to the Company's current sales plan.

The Company moved to larger quarters on January 1, 1990 and incurred $6,000 of capital expenditures for furniture and fixtures. This move will result in increased rental expenses of approximately $30,400 in 1992 and an aggregate of $78,400 over the term of the lease which expires on December 31, 1992.

The Company has entered into license agreements for products with respect to which substantial sales are not expected to commence until early in fiscal 1993. The Company expects that $35,000 of development costs will be incurred to bring these products to their completed stage.

The Company believes, although there can be no assurance, that its anticipated fiscal 1992 sales of its products and current cash funds will provide sufficient funds to meet all of its capital requirements during the next three months. However, additional cash resources may become available. On November 9, 1990, the Company's Redeemable Class A Warrants and Redeemable Class B Warrants became exercisable. If all such outstanding warrants were to be exercised, it would result in additional cash to the Company of approximately $6,000,000, although given the current market prices of the Company's securities, such funds are unlikely to be available in the short-term, and no assurance can be given as to the number of warrants that will be exercised.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On March 2, 1992 the NASD implemented the final phase relating to listing and maintenance standards for quotation of securities on the National Association of Securities Dealers Automated Quotation system (NASDAQ). Because of the inability of the Company to meet the new criteria, NASDAQ has advised the Company that its securities will be delisted from NASDAQ at the opening of the market on March 27, 1992. For those companies, including the Company, which will be unable at this time to meet the new standards, the NASD is offering the services of another market, the OTC Bulletin Board. The Company has been advised that, like NASDAQ, this new market is electronic and screen-based and that the OTC Bulletin Board provides a market for companies, including the Company, until they requalify for NASDAQ. The Company has also been advised that quotation information on OTC Bulletin Board securities is available on stockbrokers' desktop terminals. According to NASDAQ, companies will continue to enjoy visibility among securities professionals and investors on the Bulletin Board.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits - None

Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIRECT CONNECT INTERNATIONAL INC.
(Registrant)

Date March 12, 1992 By
Peter L. Schneider
President and Chief
Executive Officer

Date March 12, 1992 By
Barry A. Rosner
Treasurer and Chief
Financial Officer

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0-34912

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G92-2236

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 1992

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 0-13984

DIVERSIFIED HUMAN RESOURCES GROUP, INC.

(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation or organization)	**75-1565578** (I.R.S. Employer Identification No.)
340 Providence Towers East, LB-5 **5001 Spring Valley Road** **Dallas, Texas** (Address of principal executive offices)	**75244-3910**

Registrant's telephone number, including area code: **(214) 458-8500**

Former name, former address and former fiscal year if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Number of shares of common stock of the registrant outstanding on March 31, 1992 was 1,758,211.

Total Number of pages for this 10-Q filing: 14

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CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,511	$ 39,620
Accounts receivable - contractual agreements	522,582	471,955
Receivables from operating divisions	1,762,369	2,113,083
Refundable federal income taxes	98,769	98,769
Notes receivable - operating divisions	1,328,898	1,277,099
Prepaid expenses and other current assets	5,661	9,610
TOTAL CURRENT ASSETS	3,762,790	4,010,136
EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS, NET	22,332	26,877
OTHER ASSETS:		
Notes receivable - operating divisions	6,069,059	6,361,055
Royalty receivable - operating divisions	560,409	547,986
Notes receivable - officers/stockholders	54,000	54,000
Other	152,635	152,535
	$10,621,225	$11,152,589

LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,071,746	$ 1,090,235
Liabilities assumed by operating divisions	1,762,369	2,113,083
Current maturities of long-term debt	292,387	366,325
TOTAL CURRENT LIABILITIES	3,126,502	3,569,643
DEFERRED LEASE RENTS	118,565	126,837
LONG-TERM DEBT	-	13,165
DEFERRED INCOME - OPERATING DIVISIONS	522,889	337,827
DEFERRED GAIN - SALES OF OPERATING DIVISIONS	9,002,183	9,002,183
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY):		
Preferred stock, $1.00 par value; 1,000,000 shares authorized, none issued	-	-
Common stock, $.10 par value; 10,000,000 shares authorized, 1,881,161 shares issued	188,116	188,116
Additional paid-in capital	3,615,151	3,615,151
Accumulated deficit	(5,782,756)	(5,530,908)
Common stock held in treasury (122,950 shares)	(169,425)	(169,425)
TOTAL STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)	(2,148,914)	(1,897,066)
	$10,621,225	$11,152,589

The Notes to Consolidated Financial Statements are an Integral Part of the Financial Statements.

DIVERSIFIED HUMAN RESOURCES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991
INCOME FROM OPERATING DIVISIONS	$ -	$ 166,096
GENERAL AND ADMINISTRATIVE EXPENSES	(246,582)	(642,725)
OTHER INCOME (EXPENSES):		
Interest expense, net	(8,190)	(26,256)
Other, net	2,924	(17,429)
	(5,266)	(43,685)
LOSS BEFORE INCOME TAXES	(251,848)	(520,314)
INCOME TAXES	-	-
NET LOSS	$ (251,848)	$ (520,314)
LOSS PER SHARE	$ (.14)	$ (.29)
WEIGHTED AVERAGE COMMON AND COMMON SHARES OUTSTANDING	1,758,211	1,774,735

The Notes to Consolidated Financial Statements are an Integral Part of the Financial Statements.

DIVERSIFIED HUMAN RESOURCES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (251,848)	$ (520,314)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	4,545	88,276
Amortization	-	6,650
Benefit for losses on accounts receivable	-	(154,703)
Decrease in accounts receivable	-	478,545
Increase in accounts receivable - contractual arrangements	(50,627)	-
Decrease in prepaid expenses and other current assets	3,949	5,577
Decrease in notes receivable officers/stockholders	-	25,057
Increase in other assets	(12,523)	(2,779)
Decrease in accounts payable and accrued expenses	(18,489)	(603)
Increase (decrease) in deferred lease rents	(8,272)	(33,061)
Increase in deferred income	185,062	-
Net cash used in operating activities	(148,203)	(107,355)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in notes receivable - operating divisions	(51,799)	-
Decrease in long-term notes - operating divisions	291,996	-
Capital expenditures	-	(3,784)
Net cash provided by (used in) investing activities	240,197	(3,784)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of notes payable	-	139,425
Proceeds from factored receivables	-	96,116
Repayment of short-term debt	(75,500)	-
Repurchase of common stock	-	(139,425)
Principal payments under long-term debt obligations to financial institutions	-	(38,703)
Principal payments under long-term debt obligations to others	(11,603)	(90,385)
Net cash used in financing activities	(87,103)	(32,972)
Net increase (decrease) in cash and cash equivalents	4,891	(144,111)
Cash and cash equivalents at beginning of year	39,620	225,226
Cash and cash equivalents at end of year	$ 44,511	$ 81,115
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 3,443	$ 26,697
Cash received from income tax refunds	$ -	$ -
Decrease in receivables from operating divisions	$ 350,714	$ -
Decrease in liabilities assumed by operating divisions	$ (350,714)	$ -

The Notes to Consolidated Financial Statements are an Integral Part of the Financial Statements.

DIVERSIFIED HUMAN RESOURCES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Basis of Presentation

The consolidated financial statements include the operations of Diversified Human Resources Group, Inc. and its subsidiaries (the Company). The financial information for the three months ended March 31, 1992 is unaudited but includes all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the results for the period. The financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 1991, included in the Company's annual report on Form 10-K. Operating results for the three months ended March 31, 1992, are not necessarily indicative of the results that may be expected for the entire year ended December 31, 1992. Certain 1991 balances have been restated for comparability with the current year presentation.

As a result of the Company's sale of all of its operating divisions effective July 31, 1991, income from the operating divisions is reflected only for the three month period ended March 31, 1991 (see Note 2). Because the sales resulted in the elimination of substantially all operating assets and their related operations, the financial statements at December 31, 1991, reflect the effects of such sold assets; therefore, no separate disclosure regarding discontinued operations has been presented.

Revenue Recognition

The cost recovery method of accounting is being used for recognition of income from sales of the operating divisions until such time as the liabilities assumed by the purchasers of the operating divisions have been substantially satisfied and a collection history on the notes receivable has provided an expectation that the gain from such sales will be reasonably assured (see Note 2).

Prior to July 31, 1991, the effective date of the sale of the operating divisions, fees for placement of permanent personnel were recognized as income at the time the applicants accepted employment. Provision was made for estimated losses in realization (principally due to applicants not commencing employment or not remaining in employment for the guaranteed period). Revenue from temporary personnel placements was recognized upon performance of services.

Note 2 Sale of Operating Divisions

General

The following is a description of the sales of the Company's operating divisions which comprised substantially all of the Company's assets. Such sales were closed in September 1991, and the Purchase Agreements transferred control of the divisions to the purchasers effective July 31, 1991. Accordingly, the accompanying Consolidated Statement of Operations includes only income from the operating divisions for the three-month period ended March 31, 1991. The Purchase Agreements which set forth the representations, warranties and covenants of the Company, and the names of the various purchasers, are discussed below.

The Purchase Agreements

In September 1991, the Company entered into four separate Purchase Agreements relating to the sales of the operating divisions of the Company, which agreements are further discussed hereinbelow. Taken as a whole, the Purchase Agreements contemplate the sale of substantially all of the Company's assets. Notwithstanding the above, the Company's intent is not to liquidate and make a distribution to shareholders, but rather to seek other business opportunities outside the personnel employment industry.

On September 3, 1991, the Company entered into the First Agreement and the Second Agreement. The First Agreement, dated August 29, 1991, was made and entered into by the Company and certain of its wholly owned subsidiaries, as sellers, and Veritas, Inc., a Texas corporation ("Veritas"), as purchaser, and Paula K. Mc[illegible] and William M. Brothers, both individuals residing in Dallas County, Texas, as guarantors of an interest-bearing promissory note executed by Veritas in favor of the Company pursuant to Veritas' obligations under the First Agreement. Pursuant to the terms of the First Agreement, the Company sold its Administrative Support Group Division and Temporaries Network Division of the Company (collectively referred to as "ASGI and TNI Divisions").

In consideration of the Company's agreement, as amended, to sell to Veritas the ASGI and TNI Divisions, Veritas (i) executed a $600,000 interest-bearing promissory note payable over a three-year period; (ii) executed a $900,000 interest-bearing promissory note to be paid over a six-year period; (iii) assumed various liabilities and obligations of the Company in connection with the operation of the ASGI and TNI Divisions; and (iv) agreed to pay the Company a monthly royalty fee for six years in an amount equal to a percentage of the gross revenues of the ASGI and TNI Divisions over a specified amount, but which royalty fee payable over six years shall be a minimum of not less than $846,300 in the aggregate. In addition, William M. Brothers agreed to transfer back to the Company any and all stock in the Company held by him. Through March 31, 1992, collections aggregating $190,500 under the aforementioned promissory notes have been received in a timely manner. However, as of the date of this report, the Company has not received $25,600 representing a portion of the April 1992 note payments due pursuant to the Purchase Agreement with Veritas. The Company has granted an extension of time for these payments, and is currently evaluating the financial condition of Veritas due to the inability of Veritas to make these note payments timely. In addition, the Company has not received the May 1992 note payments of $35,400 due under the aforementioned notes.

The Second Agreement, dated September 3, 1991, was made and entered into by and among the Company and certain of its wholly-owned subsidiaries as sellers, and P&E Group, Inc., a Texas corporation ("P&E"), as purchaser, and Cary Tobolka, an individual residing in Dallas County, Texas, as guarantor of P&E's obligations under the Second Agreement. Pursuant to the terms of the Second Agreement, the Company sold its Power Division of the Company (the "Power Division").

In consideration of the Company's agreement to sell to P&E the Power Division, P&E (i) executed two interest bearing promissory notes, one in the amount of $450,000, and the other in the amount of $125,000, both of which are to be paid over a six-year period; (ii) assumed various liabilities and obligations of the Company in connection with the operation of the Power Division; and (iii) agreed to pay the Company a monthly royalty fee for six years equal to a percentage of the gross revenues of the Power Division over a specified amount. Through March 31, 1992, collections aggregating $48,600 under the aforementioned promissory notes have been received in a timely manner. However, as of the date of this report, the Company has not received $16,200 representing the April and May 1992 note payments due pursuant to the Purchase Agreement with P&E. The Company has granted an extension of time for these payments, and is currently evaluating the financial condition of P&E due to the inability of P&E to make these note payments timely.

On September 10, 1991, the Company entered into the Third Agreement, by and among the Company and certain of its wholly-owned subsidiaries, as sellers, and Financial Recruiters, Inc. a Texas corporation ("FRI"), as purchaser, and Gary K. Steeds ("Steeds") and Billie J. Tapp, both individuals residing in Dallas County, Texas, as guarantors of an interest bearing promissory note executed by FRI in favor of the Company pursuant to FRI's obligations under the Third Agreement. Pursuant to the terms of the Third Agreement, the Company sold its Diversified Division of the Company (the "Diversified Division").

In consideration of the Company's agreement to sell to FRI the Diversified Division, FRI (i) executed a $4,400,000 interest bearing promissory note in favor of the Company to be paid over a six-year period; (ii) assumed various liabilities and obligations of the Company in connection with the operation of the Diversified Division; and (iii) agreed to pay the Company a monthly royalty fee for six years equal to a percentage of the gross revenues of the Diversified Division over a specified amount. In addition, Steeds agreed to transfer all of his stock in the Company, which stock comprises approximately fifteen percent (15%) of the Company's outstanding stock, to the Company. Through March 31, 1992, the Company had made short term loans to FRI aggregating $200,000 in order for FRI to timely meet its payment obligations of approximately $554,200 under the aforementioned promissory note. Subsequent to signing the Asset Purchase Agreement, FRI amended its charter to change its name to the Management Alliance Group Corp.

On September 19, 1991, the Company entered into the Fourth Agreement, by and among the Company and certain of its wholly-owned subsidiaries, as sellers, and Gary K. Steeds, Inc. a Texas corporation ("GKS"), as purchaser, and Steeds, as guarantor of two interest-bearing promissory notes executed by GKS in favor of the Company pursuant to GKS's obligations under the Fourth Agreement. Pursuant to the terms of the Fourth Agreement, the Company sold its Information Systems Consulting Division and Data Management Search Division of the Company (the "ISC and DMS Divisions").

In consideration of the Company's agreement to sell to GKS the ISC and DMS Divisions, GKS (i) executed two interest bearing promissory notes, one in the amount of $1,100,000, and the other in the amount of $150,000, both of which are to be paid over a six-year period; (ii) assumed various liabilities and obligations of the Company in connection with the operation of the ISC and DMS Divisions; and (iii) agreed to pay the Company a monthly royalty fee for six years equal to a percentage of the gross revenues of the ISC and DMS Divisions over a specified amount. The September and October 1991 payments of $40,750 due under the aforementioned $1,100,000 promissory note have been satisfied by the Company charging the interim accounting balances of the purchaser (the receivable or payable resulting during the period in which the Purchasers' disbursements were made by the Company on a cost reimbursement basis). The November 1, 1991 through March 31, 1992 collections aggregating $101,890 were received in a timely manner. At March 31, 1992, the interim accounting balance reflects a balance of approximately $90,000 due to the Company:

Pursuant to the terms of the Purchase Agreements, the Company transferred the following with respect to the respective division(s) referred to in each of the four Purchase Agreements:

a. All equipment, furniture, fixtures and supplies owned by the Company and located in, or used in connection with the division(s).

b. All right, title and interest of the Company in and to the accounts receivable relating to the division(s) as of July 31, 1991.

c. All right, title and interest of the Company in and to the corporate names, trade names, operating names and assumed names relating to the division(s).

d. All right, title and interest of the Company in and to all intangible property used in connection with the division(s), including, without limitation, all customer lists, all applicant records, customer credit information, records of sales to customers, business goodwill and the like, relating to the division(s).

e. All right, title and interest of the Company in and to all sales, service and other executory or open contracts in existence on July 31, 1991, relating to the division(s).

f. To the extent allowed by law, all licenses, permits, registrations and other written forms of authorization held by the Company and utilized in connection with the division(s).

g. All right, title and interest of the Company in and to the various employment agreements between the Company and certain employees of the division(s).

h. All right, title and interest of the Company in and to any and all leasehold improvements located on premises subject to certain real property leases, but only to the extent that such real property leases were assumed by the respective purchaser of the division(s).

(As to the First Agreement only, the Company sold all its right, title and interest in and to miscellaneous items of artwork, including certain Icart etchings.)

If a purchaser defaults under the provisions of a purchase agreement, the Company can notify the purchaser in writing of such default. Upon notification, the purchaser has ten days to cure defaults relating to monetary obligations and thirty days to cure non-monetary defaults. If the purchaser fails to cure a default as outlined above, the Company may (1) declare the entire amount due on the notes or any other obligation, (2) terminate the Company's obligations to the purchaser, or (3) take possession or sell any and all collateral, including accounts receivable and other assets of the purchaser in which the Company has a security interest.

Although the Purchase Agreements require the Purchasers to furnish the Company with stipulated periodic reports and to maintain certain contract covenants, certain of the purchasers continue to develop their financial reporting systems. Therefore, the Company's management has allowed certain of the purchasers to provide alternative financial information to the Company during the systems development stage of the purchasers' operations. The contract covenants provide, among other things, salary caps for total payroll, limits on salary advances, and approval by the Company prior to the Purchasers making capital expenditures over specified limits. In addition, inspection of the Purchasers' records and premises are provided to the Company upon reasonable notification to the Purchasers.

Financial Information

The following table sets forth the operating results of the temporary and permanent employment placement divisions for the three-month periods ended March 31, 1992 and 1991, respectively. As a result of the Company's management selling all of its operating divisions effective July 31, 1991, net service revenues and cost of services reflecting divisional operations are shown only for the three-month period ended March 31, 1991.

	(Unaudited) For the three months ended March 31,	
	1992	1991
NET SERVICE REVENUES:		
Permanent professional	$ -	$ 2,828,584
Permanent clerical	-	228,200
Temporary clerical	-	2,236,643
Contract labor	-	1,251,340
	$ -	6,544,767
COSTS AND EXPENSES:		
Cost of services and agency expenses	-	6,378,671
INCOME FROM OPERATING DIVISIONS	$ -	$ 166,096

Cost of services and agency expenses consist of expenses for the operation of agencies (principally commissions, direct wages paid to temporary personnel, payroll taxes, and rent) and a provision for uncollectible accounts.

The following table sets forth the transfer as of July 31, 1991 of assets and liabilities pursuant to the Purchase Agreements.

	Veritas, Inc.	P&E Group	Financial Recruiters, Inc.	Gary K. Steeds, Inc.	TOTAL
Accounts receivable	$1,088,382	$ 285,748	$ 913,847	$ 302,721	$2,590,698
Equipment, furniture and leasehold improvements, net	119,116	102,508	190,132	65,484	477,240
Intangibles, net	156,550	-	-	-	156,550
Other Assets	16,210	4,816	148,438	150	169,614
Accounts payable, abandoned office reserves, accrued rents and expenses, notes and capital lease obligations	(912,232)	(279,329)	(1,737,718)	(541,521)	(3,470,800)
Net	$ 468,026	$ 113,743	$ (485,301)	$ (173,166)	$ (76,698)

The excess of the aggregate sales price over the aggregate net book basis of assets sold and liabilities assumed pursuant to the Purchase Agreements is reflected in the Deferred Gain from the Sales of Operating Divisions in the Consolidated Balance Sheets at March 31, 1992 and December 31, 1991. No income was recognized during the three-month periods ended March 31, 1992 or 1991 with respect to the sales of the divisions.

Although the purchasers, under the terms of the Purchase Agreements, assumed the liabilities stated above, the Company remains liable for the unpaid balance of these obligations at March 31, 1992. In addition, the Company remains liable under substantially all of its long-term lease obligations for office space. These leases were executed by the Company, and it is believed that the landlords will continue to hold the Company primarily responsible for satisfying the terms of the agreements, even though the purchasing entities are currently making lease payments directly to their respective landlords. The Company plans to assign these obligations or allow the various purchasers to assume these obligations directly. Pursuant to the terms of the sublease agreements with the various entities, the lease payments are required to be paid by the entity assuming such lease. Therefore, the Company has reversed approximately $747,000 in deferred lease rents relating to lease obligations assumed, and reflected the benefit in the Deferred Gain from the Sales of Operating Divisions in the Consolidated Balance Sheet. At March 31, 1992, all of the current monthly lease payments required to be paid by the purchasers under the sublease agreements with the Company have been made. However, certain past due lease obligations due to the landlords by the Purchasers have not been paid pending final negotiations of deferred payment arrangements between the Company and some of its landlords.

As to those leasehold premises which the Company has not abandoned, the Company is currently engaged in negotiations with many of its lessors to negotiate payouts of past due rent owed by the Company as a result of its inability to make certain monthly rental payments during the second and third quarters of 1991, which inability was caused by the financial difficulties the Company experienced prior to and during those periods. The aggregate amount of past due rental payments owed by the Company under the occupied leases was approximately $482,000 and $504,000 as of March 31, 1992 and December 31, 1991, respectively. Pursuant to the terms of the Purchase Agreements, substantially all of these obligations were assumed by the Purchasers. The various Purchasers have made all rental payments for those leases where payment terms have been finalized.

In addition to the Federal payroll tax liabilities discussed in Note 3, the Company remains liable for the July 31, 1991 balances of the trade payables and capital lease obligations (assumed pursuant to the Purchase Agreements) unpaid at March 31, 1992. The Company and the purchasers have entered into negotiations with many of the Company's trade vendors requesting discounted payment terms and extended payout schedules.

At March 31, 1992, the unpaid obligations assumed were as follows:

Accounts payable	$ 609,303
Delinquent payroll tax withholdings	122,021
Closed office reserves	147,330
Notes payable - current	4,190
Capital lease obligations - current	37,253
Notes payable - long-term	78,507
Capital lease obligations - long-term	5,485
	$1,004,089

Of the $3.5 million in obligations assumed by the Purchasers at July 31, 1991, approximately $2.5 million have been paid or settled at March 31, 1992. In addition, the following obligations of the Purchasers were incurred by the Company on a cost reimbursement basis subsequent to July 31, 1991:

Accounts payable	$ 94,900
Payroll taxes payable	238,715
Accrued rents and expenses	424,665
	$ 758,280

Total obligations to be repaid by the Purchasers at March 31, 1992 were $1,762,369.

Note 3

Federal Withholding Taxes in Arrears

At March 31, 1992, the Company was approximately $367,000 in arrears in Federal and state payroll tax liabilities and has recorded approximately $180,000 in related accrued penalties and interest which the Internal Revenue Service has determined to be owed. The Company has filed a claim for abatement of a substantial portion of these penalties, and has entered into discussions with the Internal Revenue Service seeking a twelve-month payment plan in which to retire this outstanding liability. Pursuant to the terms of the Purchase Agreements, the various entities have assumed their respective related payroll tax liabilities, of which $361,000 was unpaid at March 31, 1992.

DIVERSIFIED HUMAN RESOURCES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Basis of Presentation

The consolidated financial statements include the operations of Diversified Human Resources Group, Inc. and its subsidiaries (the Company). The financial information for the three months ended March 31, 1992 is unaudited but includes all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the results for the period. The financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 1991, included in the Company's annual report on Form 10-K. Operating results for the three months ended March 31, 1992, are not necessarily indicative of the results that may be expected for the entire year ended December 31, 1992. Certain 1991 balances have been restated for comparability with the current year presentation.

As a result of the Company's sale of all of its operating divisions effective July 31, 1991, income from the operating divisions is reflected only for the three month period ended March 31, 1991 (see Note 2). Because the sales resulted in the elimination of substantially all operating assets and their related operations, the financial statements at December 31, 1991, reflect the effects of such sold assets; therefore, no separate disclosure regarding discontinued operations has been presented.

Revenue Recognition

The cost recovery method of accounting is being used for recognition of income from sales of the operating divisions until such time as the liabilities assumed by the purchasers of the operating divisions have been substantially satisfied and a collection history on the notes receivable has provided an expectation that the gain from such sales will be reasonably assured (see Note 2).

Prior to July 31, 1991, the effective date of the sale of the operating divisions, fees for placement of permanent personnel were recognized as income at the time the applicants accepted employment. Provision was made for estimated losses in realization (principally due to applicants not commencing employment or not remaining in employment for the guaranteed period). Revenue from temporary personnel placements was recognized upon performance of services.

Note 2 Sale of Operating Divisions

General

The following is a description of the sales of the Company's operating divisions which comprised substantially all of the Company's assets. Such sales were closed in September 1991, and the Purchase Agreements transferred control of the divisions to the purchasers effective July 31, 1991. Accordingly, the accompanying Consolidated Statement of Operations includes only income from the operating divisions for the three-month period ended March 31, 1991. The Purchase Agreements which set forth the representations, warranties and covenants of the Company, and the names of the various purchasers, are discussed below.

The Purchase Agreements

In September 1991, the Company entered into four separate Purchase Agreements relating to the sales of the operating divisions of the Company, which agreements are further discussed hereinbelow. Taken as a whole, the Purchase Agreements contemplate the sale of substantially all of the Company's assets. Notwithstanding the above, the Company's intent is not to liquidate and make a distribution to shareholders, but rather to seek other business opportunities outside the personnel employment industry.

On September 3, 1991, the Company entered into the First Agreement and the Second Agreement. The First Agreement, dated August 29, 1991, was made and entered into by the Company and certain of its wholly owned subsidiaries, as sellers, and Veritas, Inc., a Texas corporation ("Veritas"), as purchaser, and Paula K. Metzgar and William M. Brothers, both individuals residing in Dallas County, Texas, as guarantors of an interest-bearing promissory note executed by Veritas in favor of the Company pursuant to Veritas' obligations under the First Agreement. Pursuant to the terms of the First Agreement, the Company sold its Administrative Support Group Division and Temporaries Network Division of the Company (collectively referred to as "ASGI and TNI Divisions").

Management's Discussion and Analysis of Financial Condition and Results of Operations

Three Months Ended March 31, 1992 Compared to Three Months Ended March 31, 1991:

As more fully discussed in Note 2 in the Notes to Consolidated Financial Statements contained herein, the Company sold its operating divisions to various entities effective July 31, 1991. Accordingly, the accompanying Consolidated Statement of Operations for the three-month period ended March 31, 1991 includes income from divisional operations for the first quarter of 1991; whereas, no income from divisional operations was recognized for the first quarter of 1992. Therefore, income from divisional operations for 1992 and 1991 is not comparable.

Income from the sales of the operating divisions is being recognized on the cost recovery method until such time as the assumed liabilities have been substantially satisfied and a collection history on the notes receivable has provided an expectation that the gain from such sales can be reasonably assured. No income was recognized during the first quarter ended March 31, 1992.

General and administrative expenses decreased by approximately $396,000, or 62%, over the comparable first quarter of 1991. This is primarily the result of a decrease in payroll, rent, and legal and professional expenses, which decrease is attributable in part to the sale of the operating divisions of the Company.

Interest expense decreased by approximately $18,000, which is the result of a decrease in charges relating to factored accounts receivable during the first quarter of 1991.

Liquidity and Capital Resources

Working capital was $636,000 at March 31, 1992, compared with $440,000 at December 31, 1991. This increase of $196,000 during the first quarter of 1992 can be attributed to the increase in current notes receivable - operating divisions, an increase in accounts receivable - contractual agreements, and a decrease in current maturities of long-term debt.

Cash flow used in operating activities of $148,000 resulted primarily from the net loss from operations offset by an increase in deferred income during the first three months of 1992.

Net cash provided by investing activities of $240,000 resulted primarily from principal note collections on the notes receivable from the sales of the operating divisions.

The impact of inflation has not had a significant effect on the Company's operating results.

During the first seven months of 1991, the Company continued to experience weak demand for its services and, as a result, the Company sustained substantial operating losses. In addition, the Company's liquidity was also significantly impaired, such that the Company was not able to meet its current obligations solely from operating cash flows. As a result, the Company became delinquent with several trade vendors and its landlords for leased office space. During 1991, the Company had entered into negotiations with each of its landlords requesting a deferred payment arrangement of approximately three months of past due rent (approximately $504,000) to be paid over various periods ranging from three to twenty-four months. The terms of the deferred payment arrangements with some of the landlords have not been finalized.

In April of 1991, the Company experienced a change in control when USFG-DHRG #1 LTD., a Texas limited partnership, acquired a 51.1 percent controlling interest in the outstanding Common Stock of the Company. Subsequent to that event, a number of the directors of the Company resigned and were replaced by new directors elected by the remaining directors of the Company, to serve only for the remainder of the terms of the resigning directors. The new Board of Directors evaluated the financial situation of the Company and determined the Company would probably become insolvent in the event it did not find a source or sources of new capital. In addition, the Board of Directors considered the lack of other viable alternatives to finance payment of past due obligations and the continued operations of the Company. Therefore, after organizing the operations of the Company into fewer divisions, and requiring the divisions to reduce overhead and expenses within new budgets, the Board of Directors approved the plan to sell the Company's operating divisions for an aggregate sales price of $11,833,000, including the liabilities assumed, in an attempt to realize the value of the underlying assets of the Company, enhance the financial position of the Company by converting assets to notes receivable, and eliminate a substantial portion of the outstanding obligations of the Company by requiring each of the various

At March 31, 1992, the Company was in default on principal payments due under a $95,000, 9% adjustable rate demand note payable to the Federal Deposit Insurance Corporation (FDIC); a $9,200, 10% note due January 13, 1991; and a $11,467 note due September 1991. During the year ended December 31, 1991, the Company agreed to terms with the FDIC to retire the demand note under substantially the same provisions of the agreement with the bank originally holding the demand note. As of the date of this report, the Company has not made arrangements to retire these obligations. In addition, the creditors have not brought suit against the Company. The Company has continued to seek funds to retire these outstanding obligations. At March 31, 1992, the Company was four installments in arrears on a 10% promissory note due to a former officer and director. One-half of this obligation is required to be paid by the purchaser pursuant to the terms of a Purchase Agreement.

Subsequent to March 31, 1992, the Company successfully concluded its negotiations for the termination of its Corporate office lease consisting of approximately 12,000 square feet with future minimum lease payments of $929,000. Pursuant to the terms of the security agreement and termination of the lease agreement, the Company agreed to a settlement consisting of a $183,000 note to be paid over a 55-month period with interest at 9% per annum. The settlement loss of $183,000 will be offset by the recognition of deferred lease benefits associated with this lease. In connection with the termination of the Corporate office lease, the Company modified its agency lease to reduce the rental rate by $2.00 per square foot on the remaining 28,000 square feet at this location. The termination and modification agreements result in savings of approximately $17,000 per month for the Company and the Purchasers.

The effects of the transactions contemplated by the Purchase Agreements have resulted in a positive working capital position for the Company of $636,000 and $440,000 at March 31, 1992 and December 31, 1991, respectively. In addition, management anticipates that the collections on the notes receivable from the sale of the operating divisions will provide adequate liquidity to fund ongoing operations, and contribute to the settlement of the Company's past due payables. The Board of Directors anticipates that the proceeds generated from the issuance of the aforementioned Preferred Stock, when combined with the payments to be received under the promissory notes executed in favor of the Company in accordance with the terms of the Purchase Agreements, should be more than sufficient to satisfy the operational expenses that the Company will incur during the year ended December 31, 1992, including an estimated $200,000 in current Federal and state income taxes resulting from the tax recognition of the sales of the operating divisions.

Presently, the Company's only major source of income relates to the notes receivable from the sales of its operating divisions. The Company expects to redirect its activities into financial investments and natural resource management, and will explore potential opportunities in various activities. These activities may include asset management, the purchase and sale of notes and properties, and investments in oil and gas properties and other mineral interests.

PART II OTHER INFORMATION
DIVERSIFIED HUMAN RESOURCES GROUP, INC. AND SUBSIDIARIES

Item 1. LEGAL PROCEEDINGS

Not Applicable.

Item 2. CHANGES IN SECURITIES

Not Applicable.

Item 3. DEFAULTS ON SENIOR SECURITIES

Not Applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

Item 5. OTHER INFORMATION

Not Applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIVERSIFIED HUMAN RESOURCES GROUP, INC.
Registrant

DATE: May 18, 1992

By:______________________________
Donald R. Ditto, Jr., Chief Executive Officer and President

DATE: May 18, 1992

By:______________________________
Jeffrey A. Loadman, Treasurer

[redacted]

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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WASH., D.C.

For Quarter Ended February 29, 1992

Commission File Number 1-7602

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EXCALIBUR INDUSTRIES
(Exact name of Registrant as specified in its charter)

H92-2236

UTAH	87-0292122
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Post Office Box 1474, Moab, Utah	84532
Address of Principal Executive Offices	(Zip Code)

PROCESSED BY
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MAR 24 1992

Registrant's telephone number, including (801) 259-7896

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Indicate by check mark whether the Registrant (1) has filed reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

March 1, 1992 Common Shares 5,987,361

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CONSOLIDATED BALANCE SHEET
Unaudited

	Feb. 29 1992	May 31 1991
ASSETS		
Cash, Saving Certificates, Treasury Bills	$ 50,612	$ 70,914
Notes and Accounts Receivable	231	226
Other Assets	120	120
Total Current Assets	50,963	71,260
Property, Equipment & Mineral Interests (Note B)	137,297	137,296
Less Accumulated Depreciation	(22,802)	(22,435)
Total Fixed and Other Assets	114,495	114,861
TOTAL ASSETS	$165,458	$186,121
LIABILITIES & SHAREHOLDERS' EQUITY		
Accounts Payable	$ 45	
Other Current Liabilities	307	$ 548
Total Current Liabilities	352	548
Common Stock - $.01 Par Value, Authorized 10,000,000 Shares, 5,997,361 Shares Issued, 5,987,361 Outstanding	59,974	59,974
Paid In Capital in Excess of Par	83,810	83,810
Retained Earnings	21,422	41,889
Treasury Stock	(100)	(100)
Total Shareholders' Equity	165,106	185,573
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$165,458	$186,121

These Financial Statements Are Unaudited

The Accompanying Notes are an Integral part of these Financial Statements.

EXCALIBUR INDUSTRIES
Form 10-Q Part I

CONSOLIDATED STATEMENT OF INCOME
EXPENSE AND RETAINED EARNINGS
FOR THE FISCAL QUARTERS ENDED:
Unaudited

	Feb. 29 1992	Feb. 28 1991
REVENUES		
Interest	$ 473	$ 1,298
Total Revenues	473	1,298
EXPENSES		
Improved Real Estate Mainenance	$ -0-	$ -0-
Depreciation	122	122
General & Administrative	7,044	7,049
Professional Services	-0-	-0-
Property, Payroll, and Other Taxes	723	1,085
Total Operating Expenses	7,889	8,256
NET (LOSS)	(7,416)	(6,958)
Retained Earnings at Beginning of Period	28,838	56,085
RETAINED EARNINGS AT END OF PERIOD	$ 21,422	$ 49,127
Average Shares Outstanding During Period	5,987,361	5,987,361
NET (LOSS) PER SHARE	$ (0.00)	$ (0.00)

These Financial Statements Are Unaudited

The Accompanying Notes are an Integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF INCOME EXPENSE AND RETAINED EARNINGS FOR THE NINE MONTHS ENDED:

Unaudited

	Feb. 29 1992	Feb. 28 1991
REVENUES		
Interest	$ 1,894	$ 4,683
Other	7,500	7,500
Total Revenues	9,394	12,183
EXPENSES		
Improved Real Estate Maintenance	485	112
Depreciation	367	367
General & Administrative	24,866	24,969
Professional Services	1,819	3,769
Property, Payroll, and Other Taxes	2,324	2,945
Total Operating Expenses	29,861	32,162
NET (LOSS)	(20,467)	(19,979)
Retained Earnings at Beginning of Period	41,889	69,106
RETAINED EARNINGS AT END OF PERIOD	$ 21,422	$ 49,127
Average Shares Outstanding During Period	5,987,361	5,987,361
NET (LOSS) PER SHARE	$ (0.00)	$ (0.00)

These Financial Statements Are Unaudited

The Accompanying Notes are an Integral part of these Financial Statements

EXCALIBUR INDUSTRIES
Form 10-Q Part I

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED
(Unaudited)

	Feb. 29 1992	Feb. 28 1991
CASH FROM OPERATING ACTIVITIES		
Net Loss	$ (20,467)	$ (19,979)
Depreciation	366	367
Increase (Decrease) in Receivables	(5)	173
Increase (Decrease) in Payable	(196)	(63)
Net Cash Used by Operating Activities	(20,302)	(19,502)
Cash at Beginning of Year	70,914	96,873
CASH AT END OF PERIOD	$ 50,612	$ 77,371

These Financial Statements Are Unaudited

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A The information in this report is unaudited, and includes the consolidated financial information of Excalibur Industries and its wholly owned subsidiary, Mountain West Mines, Inc.

In the opinion of Management, the above financial information presents fairly the results of operations for those periods presented. In the opinion of Management, all material adjustments have been recorded to arrive at the amounts reported, and all significant inter-company transactions have been eliminated from these statements.

NOTE B Improved real estate and equipment include capitalized acquisition costs of $27,416 at February 29, 1992 and May 31, 1991.

Excalibur and its subsidiary, Mountain West Mines, Inc., have acquired various mining properties, leaseholds, patented claims and mineral rights. These assets are carried at their cost of acquisition, unless, in the judgment of the Directors, a lesser amount is felt to be more appropriate due to a permanent decline in value. The Board of Directors have determined that a more realistic value should be placed on the books for financial reporting and elected to reduce the reporting value for financial statement purposes by $247,031.

Values for purposes of this financial statement, as of February 29, 1992, and May 31, 1991, are as follows:

Property and Equipment	$ 27,416
Mining Equipment	1,348
Mining Properties	108,533
	$137,297

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2

Material Changes in Financial Condition

Registrant experienced no material change in its financial condition during the nine months ended February 29, 1992.

Registrant plans to maintain its valuable mineral properties and interests in anticipation of a future favorable market.

Material Changes in Results of Operations-Three Months and Nine Months Ending February 29, 1992 and February 28, 1991

Registrant experienced no material change in the results of its operations for the three months and nine months ending February 29, 1992 as compared to the same period of time in 1991.

Interest income varies with Treasury Bill and Time Certificate of Deposit rates and amounts invested.

Professional services consisted primarily for tax services. The Registrant has incurred no legal fees.

OTHER INFORMATION

EXCALIBUR INDUSTRIES
Form 10-Q Part II

Item 4	Submission of Matters to a Vote of Security Holders
a-c	None
d	None
Item 6	Exhibits and Reports on Form 8-K
a	None
b	No reports on Form 8-K were filed during the quarter ended

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXCALIBUR INDUSTRIES
(Registrant)

March 3, 1992

Joseph P. Hubert
Joseph P. Hubert
President

March 7, 1992

Joyce Jones
Secretary-Treasurer

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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For the Quarter Ended
May 30, 1992

Commission File Number 0-17276

I92-2236

FSI INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-1223238
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

322 Lake Hazeltine Drive
Chaska, Minnesota
(Address of principal executive offices)

55318
(Zip Code)

Registrant's telephone number, including area code: (612)448-5440

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, No par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Common shares outstanding at July 7, 1992: 4,206,628

This report including all exhibits and attachments contains 13 pages.

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FSI INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q

PAGE NO

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Condensed Financial Statements:

	Consolidated condensed balance sheets as of May 30, 1992 (Unaudited) and August 31, 1991	3
	Consolidated condensed statements of operations (Unaudited) for the quarters ended May 30, 1992 and May 25, 1991	5
	Consolidated condensed statements of operations (Unaudited) for the nine months ended May 30, 1992 and May 25, 1991	6
	Consolidated condensed statements of cash flows (Unaudited) for the nine months ended May 30, 1992 and May 25, 1991	7
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PART II.	OTHER INFORMATION	12
	SIGNATURES	13

PART 1. Financial Information

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MAY 30, 1992 AND AUGUST 31, 1991

ASSETS

	May 30, 1992 (Unaudited)	August 31, 1991 (Audited)
Current Assets:		
Cash & cash equivalents	$ 349,425	$ 340,302
Trade accounts receivable, net of allowance for doubtful accounts of $441,000 and $200,000, respectively	10,026,872	9,095,651
Inventories	10,802,522	7,744,512
Refundable income tax benefit	252,897	950,847
Deferred income tax benefit	--	268,000
Other current assets	1,559,302	2,025,861
Total current assets	22,991,018	20,425,173
Buildings, leasehold improvements and equipment, at cost	12,954,211	12,258,726
Less accumulated depreciation and amortization	(9,982,600)	(8,947,985)
	2,971,611	3,310,741
Other assets:		
Investment in affiliates	1,325,651	1,740,467
Other	2,349,822	1,603,037
	3,675,473	3,343,504
	$29,638,102	$27,079,418

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MAY 30, 1992 AND AUGUST 31, 1991

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 30, 1992 (Unaudited)	August 31, 1991 (Audited)
Current liabilities:		
Notes payable	$ 2,886,605	$ 0
Current maturities of long-term debt	456,027	132,463
Accounts payable	5,467,126	3,115,622
Accrued expenses	2,928,133	3,475,282
Other current liabilities	425,804	388,894
Total current liabilities	12,163,695	7,112,261
Long-term debt, less current maturities	774,957	304,331
Stockholders' Equity:		
Preferred stock, no par value; 10,000,000 shares authorized, none issued and outstanding	---	---
Common Stock, no par value; 25,000,000 shares authorized, issued and outstanding, 4,206,628 shares at May 30, 1992 and 4,048,079 at August 31, 1991, respectively	11,810,710	11,380,027
Retained earnings	4,888,740	8,282,799
Total stockholders' equity	16,699,450	19,662,826
	$29,638,102	$27,079,418

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THE QUARTERS ENDED MAY 30, 1992 AND MAY 25, 1991

(Unaudited)

	May 30, 1992	May 25, 1991
Sales	$13,528,008	$11,153,811
Cost of sales	7,826,428	6,612,759
Gross profit	5,701,580	4,541,052
Selling, general & administrative expenses	3,061,148	3,282,912
Research & development expenses	2,677,972	2,180,351
Operating loss	(37,540)	(922,211)
Interest expense	(139,828)	(59,018)
Other income, net	4,413	5,508
Loss before income taxes	(172,955)	(975,721)
Income tax benefit	---	---
Loss before equity in earnings of affiliates	(172,955)	(975,721)
Equity in earnings of affiliates	72,511	9,168
Net loss	$ (100,444)	$ (966,553)
Loss per share of common and common stock equivalents:		
Net loss	$ (0.02)	$ (0.24)
Weighted average common and common stock equivalent shares:	4,203,235	4,048,079

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
THE NINE MONTHS ENDED MAY 30, 1992 AND MAY 25, 1991
(UNAUDITED)

	May 30, 1992	May 25, 1991
Sales	$31,307,320	$33,632,115
Cost of sales	18,786,357	21,134,596
Gross profit	12,520,963	12,497,519
Selling, general & administrative expenses	7,955,865	9,452,602
Research & development expenses	6,992,253	6,353,573
Operating loss	(2,427,155)	(3,308,656)
Interest expense	(272,303)	(257,200)
Other income (expense), net	37,215	(5,220)
Loss before income taxes	(2,662,243)	(3,571,076)
Provision/(Benefit) for income taxes	267,000	(616,000)
Loss before equity in loss of affiliates	(2,929,243)	(2,955,076)
Equity in loss of affiliates	(464,816)	(96,803)
Net Loss	$(3,394,059)	$(3,051,879)
Loss per share of common and common stock equivalents:		
Net Loss	$ (0.82)	$ (0.76)
Weighted average common and common stock equivalent shares:	4,118,955	4,031,274

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
THE NINE MONTHS ENDED MAY 30, 1992 AND MAY 25, 1991

(Unaudited)

	May 30, 1992	May 25, 1991
OPERATING ACTIVITIES:		
Net loss	$(3,394,059)	$(3,051,879)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,325,180	1,342,914
Provision for deferred income taxes	268,000	495,000
Equity in loss of affiliates	464,816	178,060
Loss on sale of equipment	---	76,420
Changes in operating assets and liabilities:		
Trade accounts receivable	(931,221)	5,257,439
Inventories	(3,058,010)	(506,376)
Refundable income tax benefit	697,950	38,316
Prepaid expenses & other current assets	466,559	162,526
Trade accounts payable	2,351,504	319,133
Accrued expenses	(547,149)	11,622
Other current liabilities	36,910	(481,065)
Net cash provided by (used in) operating activities	(2,319,520)	3,842,110
INVESTING ACTIVITIES:		
Acquisition of leasehold improvements and equipment	(695,485)	(518,145)
Increase (decrease) in deposits and other assets	(1,037,350)	74,896
Proceeds from sale of equipment	---	5,700
Investment in affiliates	(50,000)	---
Net cash used in investing activities	(1,782,835)	(437,549)
FINANCING ACTIVITIES:		
Principal payments on long-term debt	(150,810)	(86,321)
Notes payable to bank	2,886,605	(2,928,231)
Proceeds from issuance of common stock	430,683	68,999
Additions to long term debt obligations	945,000	---
Net cash provided by (used in) investing activities	4,111,478	(2,945,553)
Increase in cash	9,123	459,008
Cash at beginning of period	340,302	572,137
Cash & cash equivalents at end of period	$ 349,425	$ 1,031,145

See accompanying notes to consolidated condensed financial statements.

FSI INTERNATIONAL, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(1) Reclassification

Certain 1991 amounts have been reclassified to conform to the 1992 presentation

(2) Consolidated Condensed Financial Statements

The accompanying consolidated condensed financial statements have been prepared by the Company without audit and reflect all adjustments (normal and recurring in nature) which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission, but omit certain information and footnote disclosures necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual 10-K Report for the fiscal year ended August 31, 1991 previously filed with the Securities and Exchange Commission.

(3) Inventories

Inventories are summarized as follows:

	May 30, 1992	August 31, 1991
Finished products	$ 1,663,304	$ 895,466
Work in process	2,399,233	1,426,239
Subassemblies	1,779,386	1,498,515
Raw materials and purchased parts	4,960,599	3,924,292
	$10,802,522	$ 7,744,512

(4) Supplementary Cash Flow Information

(a) Schedule of interest and income taxes paid:

	Nine Months Ended	
	May 30, 1992	May 25, 1991
Interest	$ 275,752	$ 267,750
Income Taxes, net of refunds received	(778,977)	(1,018,220)

(5) Income Taxes

The Company's income tax expense for the first nine months was $267,000. This is due to the limitation of the amount of the pretax loss which the Company could carry back to recover taxes which were previously paid and a limitation on the amount of deferred taxes as imposed by FASB96.

FSI INTERNATIONAL, INC.
Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Third Quarter and First Nine Months of Fiscal 1992 Compared with the Third Quarter and First Nine Months of Fiscal 1991

Sales in the third quarter ended May 30, 1992, increased 21% from the level of the comparable prior fiscal year quarter and sales for the nine months ended May 30, 1992 decreased 7% from the prior fiscal year's comparable period. The increase in sales for the third quarter of fiscal 1992 occurred in the Microlithography Work Cell product, more than offsetting a decrease in sales of all other products. The decrease in sales for the nine months ended May 30, 1992 occurred in all product lines except Microlithography Work Cells. We expect an increase in sales of Microlithography Work Cells in the fourth quarter of fiscal 1992 as compared to the first three quarters of fiscal 1992. The expected increase is based upon current backlog expected to ship during the fourth quarter.

Gross profit margin increased to 42% of sales in the third quarter of fiscal 1992 as compared to 41% of sales in the comparable prior fiscal year quarter. Gross profit margin increased to 40% of sales for the first nine months of fiscal 1992 as compared to 37% of sales in the prior fiscal year period. The increase in gross profit margin for the third quarter and first nine months of fiscal 1992 resulted from a decrease in the percentage of foreign sales to total sales. In addition, in the third quarter of fiscal 1991, the Company announced that it would close its Japanese subsidiary, FSI Japan Co., effective July 31, 1991. This action resulted in a $450,000 charge in the third quarter of fiscal 1991. The Company expects continued fluctuations in gross profit margins from quarter to quarter resulting from different sales mixes.

Selling, general and administrative expenses decreased to 23% of sales for the third quarter of fiscal 1992 as compared to 29% of sales in the comparable prior fiscal year quarter and decreased to 25% of sales for the nine months ended May 30, 1992 as compared to 28% of sales in the prior fiscal year comparable period. The decrease in selling, general and administrative expenses for both the third quarter and nine month period ended May 30, 1992 reflects the impact of certain cost reduction and control programs implemented during fiscal 1991 and 1992.

Research and development expense was 20% of sales for the third quarter of fiscal 1992 and the comparable prior fiscal year quarter. Research and development expense increased to 22% of sales for the nine months ended May 30, 1992 as compared to 19% of sales in the prior fiscal year comparable period. The increase in the amount of research and development expense for the third quarter and first nine months of fiscal 1992 as compared to the prior fiscal year comparable periods results from opening the Microlithography Work Cell Development Center in Dallas, Texas, in January 1992.

The Company recently received a commitment from Sematech to fund approximately $900,000 of research and development for the EXCALIBUR®II Vapor Phase Processing System. The funding is for two beta programs at strategic U.S. customers through January 31, 1993.

Interest expense increased in the third quarter and nine month period ended May 30, 1992 as compared to the prior fiscal year comparable period. The Company's average debt balances have increased each quarter during fiscal 1992, resulting from the increase in sales which resulted in additional working capital requirements. We expect an increase in interest expense in the fourth quarter as our working capital needs increase.

No provision for income tax benefit was recorded in the third quarter of fiscal 1992 or the comparable prior fiscal year quarter. In the first nine months of fiscal 1992, we reported an income tax provision of $267,000, or 10% of the pretax loss, as compared to an income tax benefit of 17% in the first nine months of fiscal 1991. This is due to the limitation of the amount of the pretax loss which the Company could carry back to recover taxes which were previously paid and a limitation on the amount of deferred taxes as imposed by FASB96.

Equity in earnings of affiliates increased in the third quarter of fiscal 1992 as compared to the prior fiscal year quarter. Equity in earnings of affiliates decreased for the nine months ended May 30, 1992 as compared to the prior year comparable period. This decrease was primarily due to the Company recognizing its share of losses to the extent of the Company's net investment in m•FSI, Ltd., FSI's Japanese joint venture. The Company does expect equity in earnings of affiliates to change significantly in the fourth quarter of fiscal 1992.

Liquidity and Capital Resources

On February 28, 1992, the Company entered into an accounts financing agreement (the "Credit Agreement") with Congress Financial Corporation (Central). Under the terms of the Credit Agreement, the Company can borrow up to $7,000,000, subject to a minimum borrowing base, comprised of domestic accounts receivable and inventory. Borrowings under the Credit Agreement are secured by substantially all assets of the Company, and the Credit Agreement contains certain financial covenants. Under the most restrictive covenants, the Company is required to maintain a net worth of $14,000,000.

In conjunction with the Company's operating loss, working capital decreased $2,500,000 to $10,800,000 from $13,300,000 at year end 1991. On May 30, 1992, $2,900,000 in aggregate principal amount was outstanding under the Company's Credit Agreement. The Company has a $500,000 direct loan supporting the Metron Asia Group.

Current operating plans for 1992 require borrowings of approximately $5,000,000 to fund anticipated capital needs, based on existing backlog and anticipated orders. The Company believes the Credit Agreement will provide the working capital necessary to fund these needs. The Company continues to explore other ways of supplementing such debt financing, including the financing of foreign accounts receivable and equity financing. However, no assurance can be given that such other financing can be obtained, or, if obtained, on terms favorable to the Company.

The Company's accounts receivable increased by $900,000 from year end 1991. The increase resulted from higher sales in the third quarter of fiscal 1992 as compared to the fourth quarter of fiscal 1991. Inventory increased to $10,800,000 as compared to $7,700,000 at year end 1991. The increase in inventory is in response to the increased orders the first nine months of fiscal 1992.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Change in Securities

None

ITEM 3. Defaults upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

None

FSI INTERNATIONAL, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FSI INTERNATIONAL, INC.
. . . .
[Registrant]

DATE: July 7, 1992

By:
Benno A. Sand
Executive Vice President, Finance and
Chief Financial Officer
behalf of the
Registrant and as
Principal Financial Officer

[redacted]

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FORM 10-Q

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Q-34878

J92-2236

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 30, 1992

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

mk 6/16

Commission file number 1-6846 ~~[illegible]~~

BEST COPY AVAILABLE

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
(Exact name of registrant as specified in its charter)

24|24R

Delaware
(State or other jurisdiction of incorporation or organization)

PROCESSED BY
JUN 18 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

58-1351398
(I.R.S. Employer identification No.)

Two North Riverside Plaza, Chicago,
(Address of principal executive offices)

L.54

60606
(Zip Code)

Registrant's telephone number, including area code (312) 648-5656

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of May 31, 1992, there were 11,077,261 shares of Common Stock outstanding.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES

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Condensed Consolidated Statements of Income for the Three and Nine Months Ended April 30, 1992 and 1991 (Restated) 4

Condensed Consolidated Statements of Cash Flows for the Nine Months Ended April 30, 1992 and 1991 (Restated) 5

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GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS

APRIL 30, 1992 AND JULY 31, 1991
(Amounts in millions except share amounts)
(Unaudited)

	April 30, 1992	July 31, 1991 (Restated)
ASSETS		
Current Assets:		
Cash	$ 41.4	$ 47.3
Trade receivables, net	192.6	168.2
Inventories	241.7	226.3
Prepaid expenses and other current assets	38.2	46.2
Net current assets of discontinued operations	33.0	33.3
Total Current Assets	546.9	521.3
Investment in The Vigoro Corporation	71.8	69.4
Loans receivable and real estate, net	85.3	95.9
Property, plant and equipment, net	274.1	275.7
Goodwill	394.8	401.1
Other assets	126.1	115.7
	$1,499.0	$1,479.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 93.3	$ 80.0
Accrued expenses	90.8	102.6
Short-term debt	7.7	7.7
Current portion of long-term debt	33.6	51.2
Total Current Liabilities	225.4	241.5
Long-term debt	737.6	693.2
Accrued employee benefit obligation	79.0	100.4
Other long-term liabilities	143.7	144.7
Total Liabilities	1,185.7	1,179.8
SHAREHOLDERS' EQUITY		
Common stock (12,059,067 shares issued)	.1	.1
Additional paid-in capital	193.5	193.5
Retained earnings	132.6	120.1
Foreign currency translation adjustment	1.3	(.5)
Common stock in treasury, at cost	(14.2)	(13.9)
Total Shareholders' Equity	313.3	299.3
	$1,499.0	$1,479.1

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED April 30, 1992 AND 1991

(Amounts in millions except per share amounts)
(Unaudited)

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	1992	1991 (Restated)	1992	1991 (Restated)
Net sales and revenues	$330.1	$297.3	$955.6	$934.2
Operating expenses:				
Cost of goods and services sold	264.1	238.5	760.9	735.5
Selling, administrative and other expenses	48.8	47.4	146.5	146.6
Other (income) expense	(.6)	(1.2)	(2.8)	.7
Amortization of goodwill	2.7	2.7	8.1	6.7
Operating income	15.1	9.9	42.9	44.7
Equity in net earnings of The Vigoro Corporation	2.4	8.5	5.2	11.5
Income from continuing operations before interest expense and income taxes	17.5	18.4	48.1	56.2
Interest expense, net	19.3	20.4	58.0	68.3
Income (loss from continuing operations before income taxes	(1.8)	(2.0)	(9.9)	(12.1)
Income tax (benefit) on continuing operations	(.1)	(2.9)	(3.3)	(8.5)
Income (loss) from continuing operations	(1.7)	.9	(6.6)	(3.6)
Discontinued operations:				
Income (loss) from discontinued operations, net of tax	.9	.8	2.2	(3.9)
Gain on disposal of discontinued businesses, net of taxes of $39.4 million	--	--	--	33.8
Income (loss) before cumulative effect of change in accounting principle	(.8)	1.7	(4.4)	26.3
Cumulative effect of change in accounting principle, less applicable income tax provision of $7.3 million (Note 1)	--	--	16.9	--
Net income (loss)	$ (.8)	$ 1.7	$ 12.5	$ 26.3
Weighted average common and common equivalent shares outstanding	11.1	11.1	11.1	11.1
Earnings (loss) per common share:				
Continuing operations	$ (.17)	$ .08	$ (.61)	$ (.32)
Discontinued operations	.10	.07	.21	2.69
Cumulative effect of accounting change	--	--	1.53	--
	$ (.07)	$ .15	$ 1.13	$ 2.37
Dividends declared per share	$ --	$ --	$ --	$ .84

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED APRIL 30, 1992 AND 1991

(Amounts in millions)
(Unaudited)

	For the Nine Months Ended April 30,	
	1992	1991 (Restated)
OPERATING ACTIVITIES:		
Net Income	$ 12.5	$ 26.3
Discontinued operations	(2.2)	(29.9)
Cumulative effect of accounting change	(16.9)	--
Depreciation	24.9	24.1
Amortization of goodwill and debt issuance costs	13.9	18.0
Noncash postretirement benefits expense	1.8	6.2
Undistributed earnings of The Vigoro Corporation ("TVC")	(2.4)	(7.1)
Working capital changes and other	(31.2)	(32.9)
Net cash provided by (used in) continuing operating activities	.4	4.7
Net cash provided by (used in) discontinued operations	.1	(37.1)
Net cash provided by (used in) operating activities	.5	(32.4)
INVESTING ACTIVITIES:		
Proceeds (purchases) investment securities	(.3)	3.1
Acquisitions, net of cash acquired	(1.2)	(20.7)
Proceeds from sale of businesses	--	250.2
Capital expenditures	(19.8)	(24.9)
Redemption of TVC preferred stock investment	--	46.4
Other	(3.6)	(22.8)
Net cash provided by (used in) investing activities	(24.9)	231.3
FINANCING ACTIVITIES:		
Increase in debt	56.0	193.8
Reduction of debt	(37.2)	(428.6)
Purchase of treasury stock	(.3)	(.5)
Cash dividends paid	--	(.8)
Net cash provided by (used in) financing activities	18.5	(236.1)
Net change in cash and cash equivalents	(5.9)	(37.2)
Cash and cash equivalents at beginning of period	47.3	105.7
Cash and cash equivalents at end of period	$ 41.4	$ 68.5

The accompanying notes are an integral part of these financial statements.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED APRIL 30, 1992
(Unaudited)

1. Significant Accounting Policies:

Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared pursuant to Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the consolidated financial statements and notes thereto included in the 1991 Annual Report on Form 10-K for Great American Management and Investment, Inc. (the "Company"). The following notes to condensed consolidated financial statements highlight significant changes to notes included in the Annual Report on Form 10-K and such interim disclosures as required by the SEC. The accompanying condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature except for the cumulative effect of the change in accounting principle (see "Postretirement Benefits" below).

Certain amounts in the fiscal 1991 condensed consolidated financial statements have been reclassified to conform with the classifications presented in the fiscal 1992 condensed consolidated financial statements. In addition, the Company has restated its prior year results for the effects of discontinued operations and the conversion to the equity method of accounting for the Company's investment in The Vigoro Corporation.

Postretirement Benefits

In December, 1990, the Financial Accounting Standards Board issued a new standard "Employers' Accounting for Postretirement Benefits Other than Pensions" ("SFAS No. 106"). This new standard requires that the expected cost of postretirement benefits be charged to expense during the years in which the employees render services. For businesses owned prior to August 1, 1987, the Company had previously recorded an estimate of its postretirement benefits liability using an accrual method. For businesses acquired after August 1, 1987, the Company recorded postretirement benefit liabilities as part of its purchase accounting for these businesses. The Company adopted the provisions of SFAS No. 106 as of August 1, 1991 (see Note 7).

2. Discontinued Operations:

On May 5, 1992, O.D.E. Manufacturing, Inc., a wholly owned subsidiary of Eagle Industries, Inc. ("Eagle"), an indirect wholly owned subsidiary of the Company, sold substantially all of the net assets comprising Eagle's process pump business, which Eagle operated through Pulsafeeder, Inc., Morr Control, Inc. and Pulsafeeder Far East Pte. Ltd. (collectively, "Pulsafeeder") to PLF Acquisition Corporation, a wholly owned subsidiary of IDEX Corporation (a New York Stock Exchange company), pursuant to the Asset Purchase Agreement dated April 9, 1992 (the "Agreement").

Under the terms of the Agreement, the total consideration received for the net assets of Pulsafeeder amounted to approximately $67 million in cash and 75,000 shares of IDEX Corporation common stock, which had a fair market value of approximately $1.6 million at May 5, 1992. The cash proceeds received at closing were utilized by the Company and its subsidiaries to reduce the outstanding balance under one of Eagle's credit facilities.

Pulsafeeder designed, manufactured and distributed specialty pumps, controls and systems for the transfer and control of fluids, used primarily in the chemical processing and water treatment markets. Revenues associated with Pulsafeeder amounted to approximately $12.7 million and $36.1 million for the three and nine month periods ended April 30, 1992, respectively, and $11.5 million and $33.9 million for the three and nine month periods ended April 30, 1991, respectively. The operations of Pulsafeeder have been reflected as discontinued operations in the accompanying condensed consolidated financial statements and, accordingly, the historical fiscal 1991 financial information has been restated to give effect to the classification of Pulsafeeder as a discontinued operation, in addition to the businesses accounted for as discontinued operations for fiscal 1991 as disclosed in the Company's Annual Report on Form 10-K.

3. Inventories:

Inventories are classified as follows (amounts in millions):

	April 30, 1992	July 31, 1991 (Restated)
Finished goods	$ 99.1	$ 87.1
Work in process	64.8	63.4
Raw materials	77.8	75.8
	$241.7	$226.3

4. Short-Term and Long-Term Debt:

The following provides an update of the significant changes in the consolidated outstanding debt from July 31, 1991 to April 30, 1992:

The Company

In October, 1991, the Company made a $5 million voluntary principal paydown on its subordinated notes. The remaining $5 million principal amount was paid at its maturity on April 2, 1992.

The Company is currently negotiating to obtain a new agreement which will replace its $7.7 million unsecured short-term revolving credit facility. The Company has received an extension of the maturity date until September, 1992, and has made a negative pledge on 675,000 shares of common stock of The Vigoro Corporation ("TVC"). Upon request by the lender, the Company has agreed to provide the lender with a security interest on its condominium loans or the 675,000 shares of TVC. However, at this time, no security interest has been recorded.

The Company has a $25 million credit agreement which by its terms required certain reductions in the total availability under the facility at various dates. The Company and its lender have reached an agreement whereby the required reduction in total availability to $10 million as of March 31, 1992 has been extended to September 30, 1992. The total amount outstanding under the facility as of April 30, 1992 was $14.8 million.

Subsidiaries

- Eagle Industries, Inc. ("Eagle"):

  As discussed in Note 10 to the Company's Annual Report on Form 10-K, outstanding borrowings ($57 million at July 31, 1991) under a previously existing Eagle borrowing facility (the "Eagle Corporate Facility") were, according to the original terms, originally scheduled to mature in March, 1992. In February, 1992, Eagle, through a newly created wholly owned subsidiary, O.D.E. Manufacturing, Inc. ("O.D.E.") refinanced the Eagle Corporate Facility with a new $135 million revolving credit agreement ("Credit Agreement"), of which the total availability has been subsequently reduced to $130 million as a result of the sale of Pulsafeeder.

  Borrowings under the Credit Agreement bear interest at prime plus 1.75% with the facility itself maturing in February, 1995. Eagle has provided a secured guarantee as to the repayment of amounts outstanding under the Credit Agreement.

  In conjunction with the refinancing of the Eagle Corporate Facility, Eagle formed O.D.E. and capitalized it with substantially all of the businesses of Eagle, except those of Falcon Manufacturing, Inc. and Amerace Corporation. The Credit Agreement is secured by all of the assets of O.D.E. and its subsidiaries. The Credit Agreement contains various financial covenants, the more significant of which require O.D.E. and its subsidiaries to maintain: minimum levels of net worth, certain ratios of profitability to interest expense and specified levels of cash flow. Failure by Eagle to maintain, on a consolidated basis, a minimum level of earnings to fixed charges, as defined in the Eagle Guarantee, would be deemed a default under the Credit Agreement.

  The Credit Agreement limits total available borrowings through a formula based on profitability and cash flow, as defined in the Credit Agreement. The Credit Agreement also provides that Samuel Zell, Chairman of the Board of the Company and Eagle, must directly or indirectly, control at least 51% of the voting power of the capital stock of O.D.E. The Credit Agreement also provides for a letter of credit facility which has a maximum availability of $25 million. Letters of credit issued under this facility reduce the borrowing availability under the Credit Agreement.

  The amounts outstanding at July 31, 1991 under the Eagle Corporate Facility ($57 million) have been classified as long-term debt in the accompanying April 30, 1992 condensed consolidated financial statements as this facility has been refinanced on a long-term basis through the Credit Agreement as of February, 1992.

In conjunction with the sale of Pulsafeeder in May, 1992, Eagle utilized the $67 million cash consideration received to reduce the amounts then outstanding under the Credit Agreement.

- First Capital Financial Corporation ("FCFC"):

FCFC's Line of Credit facility was originally scheduled to mature on May 15, 1992. However, the facility provides for extensions of two years and one year. FCFC has applied for and been granted an extension of this facility until May 15, 1994. Therefore, the amount outstanding (approximately $13.4 million) under the facility has been classified as long-term debt as of April 30, 1992.

5. Contingencies and Litigation:

As discussed in Note 19 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K, a nonconsolidated affiliate of the Company (the "Affiliate") appealed a judgement against it. In March, 1992, the judgement was reversed and remanded to the trial court to be retried and the post-judgement suit against the Company and Great American Industrial Group, Inc. ("GAIG") was dismissed.

In November, 1991, the Affiliate filed for protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code. Filings with the bankruptcy court disclose claims ranging from $364 million to $445 million, of which the Affiliate disputed all except approximately $5 million of such claims. Since the filing period with the bankruptcy court remains open, asserted claims may increase. The claims of all creditors of the Affiliate have been stayed by the bankruptcy court.

In the Chapter 11 proceeding of the Affiliate, a trustee has been appointed by the bankruptcy court to evaluate the likelihood of successfully pursuing claims against the Company and certain of its subsidiaries. The trustee has not commenced any litigation against the Company or such subsidiaries at this time. However, the Company has been advised by the trustee that it is considering claims against the Company and certain of its subsidiaries. The Company believes any potential actions taken against it or its subsidiaries are without merit and that it and its subsidiaries have substantial meritorious defenses. To the extent any such actions are brought by the trustee, the Company intends to vigorously defend itself

In addition, the Company and its subsidiaries are involved in various other legal proceedings. As of April 30, 1992, there have been no new or significant developments related to these legal proceedings, other than those discussed above, which would materially alter the financial information presented herein.

6. Retained Earnings:

The following table summarizes the changes occurring during the nine months ended April 30, 1992 in the Company's retained earnings (amounts in millions):

Balance, beginning of period	$120.1
Net income during the period	12.5
Balance, end of period	$132.6

7. Change in Accounting Principle - Accounting for Postretirement Benefits Other than Pensions:

As indicated in Note 1, the Company adopted the provisions of SFAS No. 106 in the first quarter of fiscal 1992 by adjusting its postretirement benefits liability recognized, as of August 1, 1991, in its financial statements to the discounted present value of expected future benefits attributed to employees' service rendered prior to August 1, 1991. The accumulated postretirement benefit obligation was determined using an assumed discount rate of 9.5%, and a health care cost trend rate of 15% for fiscal 1992, with an assumption that the health care cost rate trend would decrease gradually to 7.5% by the year 2000. In adopting the provisions of SFAS No. 106, the Company evaluated the assumptions used previously in estimating its postretirement benefits obligation under the unfunded accrual method. Based on its experience and the results of this evaluation, the Company revised certain previous assumptions in adopting SFAS No. 106. Trend rates used in adopting SFAS No. 106 reflect the Company's prior experience and expectation that future rates will trend downward. Additionally, the August 1, 1991 valuation of the Company's postretirement benefit obligation included the effects of announced future cost sharing programs and benefit plan changes. Accordingly, the condensed consolidated financial statements reflect a cumulative pretax adjustment of $24.2 million to reduce the amount of the postretirement benefits obligation previously recorded by the Company. The $24.2 million pretax benefit is reflected in the condensed consolidated statements of income as a "Cumulative effect of change in accounting principle", net of a corresponding tax provision of $7.3 million. As of August 1, 1991, the date of adoption of SFAS No. 106, the accumulated postretirement benefit obligation amounted to $72.9 million, utilizing the aforementioned assumptions; the previously recorded postretirement benefits obligation as of July 31, 1991 was $97.1 million, with the resulting difference recognized immediately as a gain resulting from the adoption of SFAS No. 106.

The $7.3 million tax provision related to this accounting change was below the federal statutory rate of 34%, as a certain portion of the postretirement benefit obligation had been previously recorded in purchase accounting on a net of tax basis. This tax provision represents a reversal of deferred tax benefits which had been provided for since 1987, with respect to the accrual of the nondeductible postretirement benefits expense recorded in the Company's income statement and, accordingly, does not represent taxes which will be paid.

The following table sets forth the postretirement benefits obligation recognized in the Company's condensed consolidated financial statements as of April 30, 1992 (amounts in millions):

Accumulated postretirement benefit obligation	$ 71.8
Tax effect of postretirement benefit liability recorded under APB No. 16	(20.4)
Postretirement benefit liability recognized in condensed consolidated financial statements at April 30, 1992	$ 51.4

8. Stock Option Plan/Subsidiary Compensation Plan:

As discussed in Note 13 to the Company's Annual Report on Form 10-K, the Company has a stock option plan to provide for the issuance of incentive stock options, non-incentive stock options or stock appreciation rights for certain key employees, directors and consultants of the Company.

Shares which remain available for future grants totaled 1,749,500 at April 30, 1992. Of the 103,000 options outstanding at July 31, 1991, 14,000 were cancelled, and 161,500 additional options were granted during the nine months ended April 30, 1992. All options granted have an exercise price of $26.50. No options have been exercised as of April 30, 1992.

9. Supplemental Disclosures of Cash Flow Information:

Cash paid (received) during the period relating to continuing and discontinued operations (amounts in millions):

	Nine Months Ended April 30,	
	1992	1991
Interest	$ 72.6	$ 92.7
Income taxes	$(16.4)	$ 26.2

In conjunction with the purchases of businesses, liabilities were assumed as follows (amounts in millions):

	Nine Months Ended April 30,	
	1992	1991
Fair value of assets acquired, excluding cash	$ 4.5	$ 25.6
Cash paid and debt incurred for assets and capital stock	(1.2)	(21.6)
Liabilities assumed	$ 3.3	$ 4.0

10. Subsequent Events - Acquisition of Minority Interest:

On May 29, 1992, the Company acquired the outstanding 20% interest in North Riverside Holdings, Inc. ("NRH") from Thomas R. Barry, President of NRH. Consideration for the purchase was $750,000 in cash and a note payable for $750,000 due in three annual installments beginning January 15, 1993. In addition, on May 29, 1992, the Company borrowed $750,000 from NRH. The note matures on May 29, 1993.

In March, 1992, a minority interest in an indirect subsidiary of the Company was purchased from an officer of Eagle for $.8 million.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discusses the results of operations and financial condition for the first nine months of fiscal 1992 as compared to the first nine months of fiscal 1991. This section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for fiscal 1991.

Results of Continuing Operations

The following table sets forth net sales and revenues and operating income by business segment (amounts in millions):

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	1992	1991 (Restated)	1992	1991 (Restated)
Net sales and revenues:				
Building and Industrial Products	$104.8	$ 89.9	$305.8	$283.9
Utility and Electrical Products	70.3	70.7	201.6	229.1
Consumer and Specialty Products	78.8	63.3	239.9	203.5
Process Industries Products	50.5	48.4	137.1	148.8
Total Manufacturing	304.4	272.3	884.4	865.3
Corporate and Other	25.7	25.0	71.2	68.9
	$330.1	$297.3	$955.6	$934.2

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	1992	1991 (Restated)	1992	1991 (Restated)
Operating income before amortization of goodwill:				
Building and Industrial Products	$ 7.1	$ 6.1	$ 25.2	$ 19.2
Utility and Electrical Products	5.6	4.8	13.6	19.9
Consumer and Specialty Products	4.8	3.4	18.1	16.6
Process Industries Products	3.5	3.5	5.6	10.9
Manufacturing Corporate	(2.7)	(2.7)	(8.7)	(10.8)
Total Manufacturing	18.3	15.1	53.8	55.8
Corporate and Other	(.5)	(2.5)	(2.8)	(4.4)
Operating income before amortization of goodwill	17.8	12.6	51.0	51.4
Amortization of goodwill	2.7	2.7	8.1	6.7
Operating Income	$ 15.1	$ 9.9	$ 42.9	$ 44.7

Nine Months Ended April 30, 1992 Versus Nine Months Ended April 30, 1991

Net Sales and Revenues:

o Manufacturing Business Sector:

Manufacturing net sales of $884.4 million for the first nine months of fiscal 1992 were $19.1 million or 2.2% higher than net sales for the first nine months of fiscal 1991. Net sales increased $27.8 million in fiscal 1992 due to the full nine month impact of the fiscal 1991 acquisitions which included the Norris Plumbing Products division of Masco Building Products ("Norris") (acquired September 28, 1990) and the Energair division of Ingersoll-Rand Company ("Energair") (acquired April, 1991), individually referred to as the "Acquired Business" and collectively referred to as the "Acquired Businesses".

Excluding the effects of the Acquired Businesses, net sales declined by $8.7 million in the first nine months of fiscal 1992 compared to the corresponding period in fiscal 1991. The recession negatively impacted many of Eagle Industries, Inc.'s ("Eagle") business operations, particularly those in the Utility and Electrical Products and Process Industries Products segments, with the more significant negative impact reflected in results of operations during the first six months of fiscal 1992. Sales for the first nine months of fiscal 1992 declined for businesses within these two segments primarily due to reduced order rates from electrical utilities and a slow down in capital spending by chemical processing companies experienced primarily during the first two quarters of fiscal 1992 compared to the similar periods in fiscal 1991. Certain businesses within the Building and Industrial Products and Consumer and Specialty Product segments have realized sales increases for the first nine months of fiscal 1992 as compared to sales levels experienced in the comparable fiscal 1991 period, resulting from increased market share and demand in certain markets served by businesses within these segments. These sales increases are discussed in management's discussion and analysis of the third quarter results following this section.

Net sales of $305.8 million for the Building and Industrial Products segment increased $21.9 million in the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. The Acquired Business contributed $5.5 million to this net sales increase in fiscal 1992. Excluding net sales of the Acquired Businesses, net sales improved as a result of increased market penetration by Eagle's building and plumbing products businesses, as well as an increase in aircraft seating and refurbishment sales by Burns Aerospace Corporation ("Burns Aerospace").

Net sales of $201.6 million for the Utility and Electrical Products segment declined $27.5 million in the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. The recession has had a negative impact on this segment primarily during the first six months of fiscal 1992 as both electrical utility capital spending levels and construction levels were below fiscal 1991 levels. More recently, however, Eagle has begun to see increased activity from the residential and commercial construction markets resulting in increased sales volumes for certain businesses within the Utility and Electrical Products segment;

however, price degradation is still occurring. Refer to management's discussion of third quarter results. Additionally, approximately $5.5 million of the sales variance related to a division which was sold by Eagle in January, 1991 and, due to immateriality, was not restated in the financial statements.

Net sales of $239.9 million for the Consumer and Specialty Products segment were $36.4 million higher for the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. The Acquired Business contributed $22.3 million to this net sales increase in fiscal 1992, while increased sales of DeVilbiss Air Power Company's ("DeVilbiss Air Power") air compressor products contributed to the balance of this net sales increase.

Net sales of $137.1 million for the Process Industries Products segment declined $11.7 million in the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. Capital spending by the chemical processing industry in the U.S. and Europe continued to remain flat compared to levels experienced in fiscal 1991, which had a more significant impact on sales results for the first six months of fiscal 1992 than for the current quarter. Refer to management's discussion of third quarter results.

o Corporate and Other:

Net sales and revenues in Corporate and Other increased $2.3 million during the first nine months of fiscal 1992 as compared to the first nine months of fiscal 1991. This increase was primarily due to increases at North Riverside Holdings, Inc. ("NRH") of approximately $7.2 million which resulted from the acquisition of three warehouses, combined with other increases due to increased market penetration in existing markets and initial franchise fees generated from the sale of new franchises. These increases were somewhat offset by decreases in the Company's real estate operations of $4.9 million due to the sale of various real estate properties, reduced acquisition fee income, and reduced general partner distributions.

Operating Income (Loss) Before Goodwill Amortization ("Operating Earnings (Loss)"):

Consolidated Operating Earnings remained relatively constant for the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991 and Operating Earnings as a percentage of net sales and revenues ("Operating Margin") was 5.3% and 5.5% for the nine month periods ended April 30, 1992 and 1991, respectively.

o Manufacturing Business Sector:

Operating Earnings in the Manufacturing sector of $53.8 million for the first nine months of fiscal 1992 were $2 million lower than Operating Earnings for the first nine months of fiscal 1991. Operating Margin was 6.1% for the first nine months of fiscal 1992 as compared to 6.4% for the corresponding period in fiscal 1991. Overall, the reduced level of Operating Earnings in fiscal 1992 was primarily due to the reduced sales volumes for businesses in the Process Industries Product segment and to continued price degradation and reduced sales volumes for businesses in the Utility and Electrical Products segment, both of which had a more significant impact on operating results for the first six months of fiscal 1992 than for the current quarter. Operating results for the current quarter ended April 30, 1992 indicated that the sales and earnings declines experienced earlier in fiscal 1992 for businesses within the Process Industries Products and Utility and Electrical Products segments were consistent with results achieved during the third quarter of fiscal 1991. In addition, partially offsetting the above Operating Earnings declines were significant earnings contributions from businesses within the Building and Industrial Products and Consumer and Specialty Products segments. The Acquired Businesses also contributed $3.2 million to improved Operating Earnings within these two segments during the first nine months of fiscal 1992 compared to the similar period in fiscal 1991.

Operating Earnings for the Building and Industrial Products segment improved by $6 million over levels experienced in fiscal 1991, with approximately $1 million of this increase attributable to the contribution of the Acquired Businesses to this segment in fiscal 1992. Operating Earnings for the Building and Industrial Products segment in the third quarter of fiscal 1991 included a nonrecurring charge of $1.9 million related to restructuring costs at Hill Refrigeration and the shutdown of another facility. Excluding this prior year charge, Operating Earnings for this segment improved by $6.9 million primarily due to a significant improvement in earnings from Eagle's building and plumbing products businesses, which have benefitted from improved market conditions and effective cost reduction programs. In addition, the adoption of SFAS No. 106 in the first quarter of fiscal 1992 has also resulted in savings of approximately $1.1 million for businesses in this segment during the first nine months of fiscal 1992.

Operating Earnings for the Consumer and Specialty Products segment improved by $1.5 million during the first nine months of fiscal 1992 over levels experienced in the comparable period of fiscal 1991, with positive results being contributed by Caron International, Inc. ("Caron") and DeVilbiss Air Power. The remaining businesses comprising this segment continue to be impacted by the softness in consumer discretionary spending. The Acquired Business contributed $2.2 million to improved Operating Earnings in this segment during the first nine months of fiscal 1992 compared to the similar period in fiscal 1991.

Operating Earnings for the Utility and Electrical Products segment declined by $6.3 million during the first nine months of fiscal 1992 compared to the similar period in fiscal 1991. This decline was primarily due to reduced sales volumes and increased price competition experienced earlier in fiscal 1992. Results for the current quarter indicated that although sales volumes have improved due to increased demand from the construction markets, price competition continued to be an issue for businesses within this segment.

Manufacturing corporate expenses of $8.7 million for the first nine months of fiscal 1992 declined $2.2 million compared to the corresponding period in fiscal 1991. This decline reflected the higher level of expenses incurred in fiscal 1991 related to the formation of Falcon Manufacturing, Inc. ("Falcon") and also reflected management's ongoing efforts to control and manage administrative costs at all levels. Refer to the Company's 1991 Annual Report on Form 10-K for additional information regarding Falcon.

o Corporate and Other:

Operating Loss for Corporate and Other decreased $1.6 million for the nine months ended April 30, 1992 as compared to the nine months ended April 30, 1991. Fiscal 1991 included operating losses related to certain real estate properties which were sold during fiscal 1992. Results for the nine months ended April 30, 1992 include certain reserves for loan losses and write-downs of assets.

The Vigoro Corporation ("TVC"):

The results of operations of TVC, an agricultural chemicals and fertilizers business, are subject to seasonal fluctuations. Historically, a substantial portion of its sales and earnings occur in the months of April through June.

The Company's equity in earnings of TVC decreased $6.3 million for the first nine months of fiscal 1992 compared to the first nine months of fiscal 1991. In fiscal 1991, the Company had both a common and preferred stock investment in TVC. During fiscal 1991, TVC redeemed the Company's investment in TVC preferred stock in conjunction with an initial public offering of TVC's common stock which took place on May 28, 1991. The Company's dividend income from its TVC preferred stock investment was $4.3 million in fiscal 1991. Due to the redemption of the Company's preferred stock investment in fiscal 1991, there was no such dividend income in fiscal 1992. Although TVC's earnings applicable to common stock increased significantly, the Company's earnings from its common stock investment decreased $2 million for the first nine months of fiscal 1992 as compared to the first nine months of fiscal 1991 due to a change in TVC's fiscal year-end from July 31, to June 30. For periods subsequent to the change in year-end, the Company recorded its equity in earnings on the common stock of TVC with a one month delay. Therefore, the prior year period included the Company's portion of TVC earnings for the nine months ended April 30, 1991, whereas the current year included the Company's portion of TVC earnings for the nine months ended March 31, 1992. Due to the seasonality of TVC's business, a substantial portion of its earnings occur during the months of April through June. In addition, the Company's ownership in TVC decreased during fiscal 1992 to 47% from 82% in fiscal 1991.

Interest Expense:

The $10.3 million decrease in interest expense between the first nine months of fiscal 1992 and the first nine months of fiscal 1991 was primarily the result of a decrease in average outstanding debt balances and lower rates incurred on variable rate borrowings.

Although the Company's consolidated long-term debt, including current maturities, increased $26.8 million from July 31, 1991, it has decreased $252.9 million from $997.3 million at July 31, 1990 to $744.4 million at July 31, 1991. During fiscal 1992, the Company utilized proceeds from the sales of businesses and the redemption of its preferred stock investment in TVC to significantly reduce its outstanding debt balance.

The $26.8 million increase in total debt during the first nine months of fiscal 1992 was primarily due to increased amounts outstanding under long-term revolving credit facilities as a result of increased working capital requirements, somewhat offset by the retirement of the remaining $10 million on the principal amount of the Company's 15-3/4% and 14% subordinated notes which matured in April, 1992.

Three Months Ended April 30, 1992 Versus Three Months Ended April 30, 1991

Net Sales and Revenues:

- Manufacturing Business Sector:

  Manufacturing net sales of $304.4 million for the third quarter of fiscal 1992 were $32.1 million or 11.8% greater than net sales for the third quarter of fiscal 1991. The acquisition of Energair in April, 1991 contributed to an $8.7 million increase in net sales in the current quarter. Excluding the effects of acquisitions and dispositions, manufacturing net sales improved $23.4 million in the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991. This sales improvement was primarily due to increased sales from businesses within Eagle's Building and Industrial Products and Consumer and Specialty Products segments, as demand from commercial and residential construction markets has improved and as demand for DeVilbiss Air Power Company's ("DeVilbiss Air Power") air compressor products has increased. Sales for businesses within Eagle's Utility and Electrical Products segment have remained relatively flat, while sales for business within the Process Industries Products segment improved slightly during the quarter ended April 30, 1992 compared to the quarter ended April 30, 1991.

  Net sales of $104.8 million for the Building and Industrial Products segment were $14.9 million greater for the third quarter of fiscal 1992 than for the comparable period in fiscal 1991. This sales increase was primarily due to increased sales of aircraft seating by Burns Aerospace resulting from increased capital spending in certain segments of the aviation industry. In addition, sales of building and plumbing products by Hart & Cooley, Inc. ("Hart & Cooley") and Eagle's three plumbing products businesses, Mansfield Plumbing Products, Inc., Norris and Kilgore Plumbing Products, Inc., have increased in the third quarter of fiscal 1992 compared to the similar period in fiscal 1991. These sales increases were due to increased sales volume as a result of improved market conditions and successful market penetration programs undertaken by these businesses.

  Net sales of $70.3 million for the Utility and Electrical Products segment declined $.4 million in the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991. Overall net sales for the third quarter for businesses within this segment have remained relatively stable in fiscal 1992 compared to sales levels experienced in fiscal 1991. Many businesses within this segment have seen an increase in sales volumes during the third quarter of fiscal 1992 as demand from residential and commercial construction markets has improved; however, these increased sales volumes have been offset by pricing declines.

  Net sales of $78.8 million for the Consumer and Specialty Products segment were $15.5 million higher in the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991, primarily due to the full quarter impact of the Energair acquisition and to increased sales of DeVilbiss Air Power's air compressor products.

Net sales of $50.5 million for the Process Industries Products segment improved by $2.1 million in the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991. The net sales improvement for businesses within the Process Industries Products segment was primarily due to increased sales volume at The Pfaudler Companies, Inc. and Chemineer, Inc., partially offset by the negative impact of foreign currency translation in the U.K. and Germany, as the dollar strengthened against other foreign currencies.

o Corporate and Other:

There were no significant changes in net sales and revenues in Corporate and Other between the third quarter of fiscal 1992 and the third quarter of fiscal 1991.

Operating Earnings:

Consolidated Operating Earnings increased $5.2 million in the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991. Consolidated Operating Margins were 5.4% and 4.2% for the third quarters of fiscal 1992 and 1991, respectively.

o Manufacturing Business Sector:

Operating Earnings of $18.3 million for the third quarter of fiscal 1992 was $3.2 million greater than Operating Earnings for the third quarter of fiscal 1991. Operating Margin was 6% for the third quarter of fiscal 1992 as compared to 5.5% for the third quarter of fiscal 1991. The increase in Operating Earnings was due to improved operating results within each of Eagle's segments, particularly the Building and Industrial Products segment as well as to the contribution of Energair to Eagle's operating results in the third quarter of fiscal 1992.

Operating Earnings for the Building and Industrial Products segment for the third quarter of fiscal 1992 improved by $1 million primarily due to improved operating results achieved by Eagle's building and plumbing products businesses as a result of improved market conditions and higher sales volumes. In addition, the adoption of SFAS No. 106 also resulted in approximately $.4 million of savings in postretirement benefit expense for this segment in the third quarter of fiscal 1992.

Operating Earnings for the Utility and Electrical Products segment for the third quarter of fiscal 1992 reflected lower marketing and administrative expenses achieved as part of ongoing cost reduction programs.

The improved Operating Earnings achieved by the Consumer and Specialty Products segment was primarily due to the earnings contribution from Energair in the third quarter of fiscal 1992 and to improved earnings from DeVilbiss Air Power which resulted from increased sales volume.

o Corporate and Other:

Operating Earnings for Corporate and Other increased $2 million in the third quarter of fiscal 1992 as compared to the third quarter of fiscal 1991, primarily due to a $1.4 million provision for losses on the sale of properties during the third quarter of fiscal 1991, whereas no such provision was booked during the third quarter of fiscal 1992.

The Vigoro Corporation ("TVC"):

The Company's equity in earnings of TVC decreased $6.1 million for the third quarter of fiscal 1992 compared to the third quarter of fiscal 1991. Dividend income from the Company's preferred stock investment decreased $1 million for the third quarter of fiscal 1992 due to the redemption of the preferred stock in fiscal 1991 as discussed in the nine month analysis above. The remaining decrease of $5.1 million in earnings from its common stock investment was due to the change in TVC's year-end as previously discussed, combined with the Company's reduced ownership percentage during fiscal 1992.

Interest Expense:

The $1.1 million decrease in interest expense between the third quarter of fiscal 1992 and the third quarter of fiscal 1991 was primarily the result of a decrease in average outstanding debt balances, combined with lower interest rates on variable rate debt.

Liquidity and Capital Resources

Net cash provided by continuing operating activities before interest and taxes related to continuing operations in the nine months ended April 30, 1992 decreased $40.2 million compared to the comparable period of the prior year. The decrease reflected increased inventory and other working capital at certain of the manufacturing businesses due to anticipated and known sales increases in fiscal 1992. Interest and tax payments related to continuing operations decreased approximately $62.7 million (approximately $28 million of total consolidated interest and tax payments made in the nine months ended April 30, 1991 were allocated to cash flow used in discontinued operations).

As indicated in Note 4, Eagle completed the refinancing of its $125 million credit facility that was scheduled to mature March, 1992 with a new $135 million Credit Agreement expiring February, 1995. The Credit Agreement provides revolving credit currently up to a maximum amount of $135 million, subject to borrowing base availability, of which an additional $33.6 million was available to borrow as of April 30, 1992.

In May, 1992, the Company sold substantially all of the assets of its process pump business, Pulsafeeder, Inc. and subsidiaries ("Pulsafeeder") to a subsidiary of IDEX Corporation. Total consideration received included approximately $57 million in cash and 75,000 shares of IDEX Corporation common stock, valued at approximately $1.6 million. Cash consideration received at closing was utilized to reduce the then outstanding debt balance under the Credit Agreement.

In addition to cash on hand at April 30, 1992, the Company's subsidiaries had $56.7 million available over and above amounts outstanding under existing credit facilities to meet their short-term cash requirements.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.
AND SUBSIDIARY COMPANIES

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

a) Exhibits:

None.

b) Reports on Form 8-K:

Form 8-K dated May 5, 1992, regarding the sale of the net assets of Pulsafeeder, Inc., Morr Control, Inc., and Pulsafeeder Far East Pte. Ltd.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GREAT AMERICAN MANAGEMENT AND INVESTMENT, INC.

By: ______________________
Arthur A. Greenberg
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: James J. Patterson
James J. Patterson
Vice President and Controller
(Principal Accounting Officer)

Dated: June 12, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

nyi
K92-12236

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended May 31, 1992

PROCESSED BY
20-19 — V
JUL 21 1992

Commission file number 1-9681

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JENNIFER CONVERTIBLES, INC.
(Exact name of registrant as specified in its charter)

Delaware	11-2742153
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
331 Rt. 4 West, Paramus, New Jersey	07652
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (201) 343-1610

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of the issuer's common stock, as of July 15, 1992: 4,358,468

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JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

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Item I - Financial Statements

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JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

ASSETS

	5/31/92	8/31/91
Current assets:		
Cash and cash equivalents	$ 7,468,707	$ 1,744,488
Merchandise inventories	1,925,667	1,802,334
Due from affiliated companies	1,218,256	953,220
Other current assets	1,154,976	502,223
Total current assets	11,767,606	5,002,265
Plant and equipment, net	1,312,798	1,237,647
Goodwill, net	642,893	656,078
Notes receivable, net	858,269	355,130
Other assets, net	1,208,383	1,040,331
	$15,789,949	$ 8,291,451

Liabilities and Stockholders' Equity

	5/31/92	8/31/91
Current liabilities:		
Current portion of long-term debt	$ -	$ 600,000
Customer deposits	1,983,452	1,340,223
Due to affiliated companies	378,566	518,837
Accrued expenses and other payables	834,050	686,994
Other current liabilities	382,033	241,622
Total current liabilities	3,578,101	3,387,676
Long-term obligations under capital leases	57,295	140,413
Deferred rent	710,096	697,414
Long-term debt	-	50,000
Long-term debt due to affiliated companies	-	193,932
Total liabilities	4,345,492	4,469,435
Minority interest in subsidiary	5,551	2,102
Stockholders' equity:		
Preferred stock, par value $.01 per share. Authorized 1,000,000 shares; no shares issued	-	-
Common stock, par value $.01 per share Authorized 10,000,000 shares; issued 4,358,468 shares at May 31, 1992 and 3,025,888 at August 31, 1991	43,586	30,259
Additional paid-in capital	12,824,861	6,736,449
Accumulated deficit	(1,429,541)	(2,946,794)
	11,438,906	3,819,914
Commitments and contingencies		
	$15,789,949	$ 8,291,451

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

	Nine months ended		Three months ended	
	May 31 1992	May 31 1991	May 31 1992	May 31 1991
Revenues:				
Net sales	$24,467,467	$19,434,325	$ 9,336,801	$ 6,103,354
Other income	696,218	281,480	319,122	121,230
	25,163,685	19,715,805	9,655,923	6,224,584
Costs and expenses:				
Cost of sales, including store occupancy, warehousing and delivery	15,476,821	13,130,376	5,840,240	3,979,983
Selling, general and administrative expenses	7,975,270	6,190,244	3,128,541	2,033,825
Interest expense	37,912	111,514	5,808	29,590
	23,490,003	19,432,134	8,974,589	6,043,398
Earnings before income taxes and extraordinary item	1,673,682	283,671	681,334	181,186
Income taxes	638,300	194,233	238,077	103,332
Earnings before extraordinary item	1,035,382	89,438	443,257	77,854
Extraordinary item - utilization of net operating loss carryforwards	481,871	106,712	207,523	54,867
Net earnings	$ 1,517,253	$ 196,150	$ 650,780	$ 132,721
Earnings per common share and common equivalent share:				
Before extraordinary item	.25	.03	.09	.03
Extraordinary item	.11	.04	.04	.02
Net earnings	$ .36	$ .07	$ .13	$ .05
Weighted average number of common shares and common share equivalents outstanding	4,392,000	2,981,000	5,450,000	2,981,000

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended	
	May 31 1992	May 31 1991
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	$1,697,014	$ (342,068)
Cash flows from investing activities:		
Capital expenditures	(291,146)	(43,889)
Deferred expenses	(300,000)	-
Other expenditures	(153,897)	(31,575)
Payments on notes receivable	130,509	-
Proceeds from sale of subsidiaries, net	-	46,438
Net cash used in investing activities	(614,534)	(29,026)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	5,291,739	-
Repayment of long-term debt	(650,000)	(450,000)
Net cash (used in) provided by financing activities	4,641,739	(450,000)
Net change in cash	5,724,219	(821,094)
Cash at beginning of period	1,744,488	1,957,643
Cash at end of period	$7,468,707	$1,136,549
Supplemental disclosure of cash flow information:		
Income taxes paid during the period	$ 86,287	$ 90,991
Interest paid	43,412	117,208

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

(1) Summary of Significant Accounting Policies

Basis of Presentations

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended May 31, 1992 are not necessarily indicative of the results that may be expected for the year ending August 31, 1992.

Restatement

The condensed consolidated statements of operations for the nine and three months ended May 31, 1991 have been restated to reflect a $75,000 and $25,000 non-cash compensation charge for the nine and three months, ended May 31, 1991, respectively, for cash compensation waived by the Company's President.

Other Income

Other income includes royalty income of $528,756 and $95,738 for the nine month periods and $230,563 and $57,330 for the three month periods ended May 31, 1992 and 1991, respectively.

Advertising

Advertising costs are expensed as incurred.

Earnings Per Share

Earnings per share for the nine months ended May 31, 1992 was computed by dividing earnings, adjusted for the as if reduction of borrowings and the as if investment in U.S. government securities, by the weighted average number of common shares and common share equivalents outstanding during the period. Earnings per share for the three months ended May 31, 1992 was computed by dividing earnings, adjusted for the as if purchase of U.S. government securities, by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

In 1991, the modified treasury stock method was used. Earnings per share for the nine and three months ended May 31, 1991 was computed by dividing earnings by the weighted average number of common shares outstanding during the period. Stock options and warrants are not included in the earnings per share calculation for the three and nine months ended May 31, 1991 because they are antidilutive.

Reclassification

Certain 1991 balances have been reclassified to conform to the 1992 presentation.

(2) Related Party Transactions

In February 1992, the Company sold computer software to an affiliated company. The affiliated company will be modifying and expanding the software as it relates to the warehousing function in order to accommodate the additional stores serviced under the Company's licensing programs. The aggregate selling price of the computer software was approximately $134,000 which approximates its net book value. No gain or loss was recognized by the Company from such sale.

On September 16, 1991, the Company's Board of Directors adopted, subject to stockholder approval, a new option plan (the "New Plan"). A total of 325,000 shares of Common Stock were reserved for issuance under the New Plan. On April 6, 1992, the Company's Board of Directors, subject to stockholder approval, amended and restated the New Plan for the purpose of increasing from 325,000 to 700,000, the shares reserved for issuance under the New Plan.

On April 6, 1992, the Company entered into a new five year employment agreement with Harley J. Greenfield, Chief Executive Officer and President, pursuant to which Mr. Greenfield agreed to devote his full time to the business of the Company and not to compete with the Company during the term of his employment agreement or for a period of one year thereafter. The new employment agreement is effective as of September 1, 1991. Pursuant to the new employment agreement, Mr. Greenfield, subject to stockholder approval of the New Plan, was granted ten-year options to purchase 150,000 shares of common stock at a purchase price of $8.38 per share (greater than or market value on date of grant), with such options vesting 30,000 shares per year. In the event that the New Plan is not adopted by the Company's stockholders prior to

September 1, 1992, Mr. Greenfield will be entitled to receive a salary, effective September 1, 1991, at the rate of $5,000 multiplied by the number of the Company's stores then open, provided that such salary shall not exceed $250,000 per annum.

Effective May 1, 1992, one of the Company's officers resigned and is currently employed full-time by an affiliated company.

On May 1, 1992, the Company entered into a five year employment agreement with a new officer of the Company pursuant to which the officer receives $125,000 per annum. Additionally, in connection with the employment agreement, the Company granted subject to stockholder approval of the New Plan, options to purchase 40,000 shares of common stock at a purchase price of $8.625 per share (market value on date of grant), with such options vesting 8,000 shares per year.

(3) Plant and Equipment

	May 31 1992	August 31 1991
Automobiles	$ 80,037	$ 80,037
Furniture and fixtures	1,018,902	787,112
Leasehold improvements	983,007	928,161
Computer equipment	322,112	322,112
	2,404,058	2,117,422
Less: Accumulated depreciation and amortization	1,091,260	879,775
Plant and equipment, net	$ 1,312,798	$ 1,237,647

(4) Income Taxes

Components of income tax expense are as follows:

	Nine months ended May 31		Three months ended May 31	
	1992	1991	1992	1991
Current:				
Federal	$ 15,000	15,000	$ 5,000	5,000
State	117,880	70,429	69,634	42,828
	132,880	85,429	74,634	47,828
Deferred:				
Federal	(7,240)	(13,500)	2,305	(4,500)
State	30,789	15,592	(46,385)	5,137
	23,549	2,092	(44,080)	637
Federal charge in lieu of income taxes	481,871	106,712	207,523	54,867
	$638,300	194,233	$238,077	103,332

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

The differences between the expected income tax expense, based upon the statutory U.S. Federal income tax rate of 34%, and the actual income tax expense in the condensed consolidated statement of operations for the nine and three months ended May 31, 1992 and 1991 is due principally to state income taxes and in 1991 the non-cash compensation charge described in note 1.

(5) Long-term Debt

The Company repaid its outstanding bank loan of $400,000 on January 13, 1992.

In May 1992, the Company canceled its $1,200,000 revolving line of credit which had not been drawn down during fiscal 1992.

(6) Stockholders' Equity

Changes in stockholders' equity during the nine month period ended May 31, 1992 are as follows:

	Common Stock		
	Shares	Par Value	Additional Paid-in Capital
Balance 8/31/91	3,025,888	$ 30,259	$6,736,449
Exercise of 299,795 A Warrants	359,754	3,598	1,489,381
Exercise of 598,208 B Warrants	753,742	7,538	3,580,274
Exercise of 16,285 Underwriter's Units	39,084	391	142,917
Exercise of Crown Option (see note 6)	180,000	1,800	1,078,200
Costs associated with issuance of shares			(202,360)
Balance 5/31/92	4,358,468	$ 43,586	$12,824,861

In connection with the agreement for financial advising services with Ladenburg, Thalman & Co. Inc. ("Ladenburg"), the Company paid an additional $50,000 under the agreement during the three month period ended May 4, 1992. The agreement expired May 4, 1992.

Subsequent to May 31, 1992, on July 16, 1992, the Company completed a public offering of $10,000,000 principle amount of 8 1/2% Convertible Subordinated Debentures ("Debentures") due July 15, 2002. The Debentures are convertible into common stock of the Company at any time prior to maturity at a conversion price of $8.75 per share, subject to adjustment under certain conditions. The Debentures are redeemable on or after July 15, 1994 (or earlier if the common stock trading price is at least 150% of the conversion price for a specified period) at the option of the Company at prices declining from 108.5% to 100% on or after July 15, 2000. Mandatory sinking fund payments will commence July 15, 1999 and will retire $1,000,000 principle amount of the Debentures each year. The Debentures are subordinated to all existing and future senior indebtedness, which includes all indebtedness other than the Debentures. In connection with the public offering, the Company issued to the underwriter warrants to purchase 100,000 shares of the Company's common stock exercisable at a price of $10.05 per share.

(7) Other Agreements

On February 25, 1992, the Company entered into a series of amendments to its agreements, originally entered into on March 21, 1991, with JCI Consultant L.P., a Delaware limited partnership ("JCI"). Pursuant to an amendment to its consulting agreement (the "Consulting Agreement"), JCI agreed to broaden the scope of its services to the Company to include advice on the establishment and financing of Company-owned stores, as well as licensed stores. In addition, JCI's ongoing compensation was changed from $10,000 per month for 48 months to $10,000 per month for 48 months, plus an amount each quarter (commencing with the quarter ending November 30, 1992) equal to the greater of (i) 10% of the Company pre-tax income for such quarter and (ii) $100,000, provided that the total fees payable to JCI under the Consulting Agreement shall not exceed $7,980,000. JCI also received a payment of $300,000 upon execution of the Consulting Agreement, provided JCI is obligated to refund to the Company a portion of the $300,000 determined by multiplying by $1,500 the number of stores less than 200 opened or licensed by the Company between February 25, 1992 and the earlier of February 28, 1996 or the date the Consulting Agreement is terminated. The $300,000 has been deferred and will be expensed as earned based upon new store openings. Upon the happening of certain events, the Company is obligated to pay JCI an amount equal to the difference between $7,980,000 and the amount previously paid to JCI under the Consulting Agreement. The amended Consulting Agreement also provides that JCI shall be entitled to nominate one person (instead of two) to the Company's Board of Directors commencing April 1, 1993 and for so long as JCI beneficially owns at least 5% of the Company's outstanding Common Stock. The Company may terminate the Consulting Agreement if the Consultant materially breaches its obligations under the Consulting Agreement and fails to cure such breach within 45 days after notice from the Company.

Additionally, in connection with the amended Consulting Agreement, the stock option agreement (the "Option Agreement"), whereby JCI had the option to purchase up to 1,200,000 shares, par value $.01 per share, was amended to provide that such options shall vest immediately, instead of at the rate of 4,000 options for each licensed store financed. In addition, the exercise price was increased from $2 per share to $8 per share, the market price of the common stock on the date of the amendment. The amended option becomes exercisable on April 1, 1996, subject to adjustment under certain circumstances. Additionally, on April 7, 1992, JCI agreed to modify the terms of the Option Agreement, as previously amended as discussed above, to consent to, thereby waiving any claim for breach of the Option Agreement which would result from, the Company granting an option to Harley J. Greenfield, to purchase 150,000 shares of its common stock in accordance with the terms of a new five year employment agreement with Mr. Greenfield (see note 2 Related Party Transactions).

As per the original agreements, under a 10-year Voting Trust Agreement, Harley J. Greenfield, the Company's Chief Executive Officer, is the voting trustee for any shares received upon exercise of the option. However, the Voting Trust Agreement was modified to provide that JCI could direct the voting trustee's vote as to the shares for the election of the director JCI is entitled to nominate and with respect to certain transactions. The original Registration and Sale Agreement was modified to provide, among other things, that JCI could sell shares received upon acceleration of the exercisability of the option prior to April 1, 1996, provided JCI complies with the agreement's provisions concerning rights of first refusal and other specified provisions.

Pursuant to an agreement dated December 30, 1991 between Crown Investment Group, Ltd. ("Crown") and Southeastern Florida Holding Company, Inc. ("Southeastern") on July 19, 1991 (see Note (11)

Other Agreements in the Annual Report on Form 10-K for the fiscal year ended August 31, 1991), Crown sold all of the capital stock in Summit Investment Group Ltd. ("Summit") in exchange for 180,000 shares of common stock on December 30, 1991. Simultaneously, the Company sold the Summit capital stock to Southeastern in exchange for $270,000 in cash and note in the principle amount of $810,000. Crown is a wholly-owned subsidiary of a company, through stock ownership, which is a principal supplier of furniture to the Company.

Included in other current assets in the accompanying condensed consolidated balance sheet as of May 31, 1992 is an amount due of $54,000 for payment under the note. Included in notes receivable, net is the non-current amount due under the note of $734,000.

The Company and its wholly-owned subsidiary, Jennifer Management II Corp., are in the process of negotiating a series of agreements pursuant to which a Delaware limited partnership, Jennifer L.P. II (the "Second Partnership"), established for the purpose of operating Jennifer Convertibles stores, will operate Jennifer Convertibles stores in Detroit, St. Louis, Indianapolis, Milwaukee, and Kansas City. Jennifer Management II, under the proposed agreements, will be the general partner of the Second Partnership and will be responsible for the operation of the Second Partnership.

The Second Partnership is in the process of raising equity financing to open and operate the partnership stores. If the Second Partnership is unable to raise the equity financing, the Company may fund the opening of stores and operate the stores as company-owned stores.

As of July 10, 1992, seven stores have been opened by the Second Partnership. The Company has advanced the Second Partnership a total of $450,000, included in other current assets in the accompanying condensed consolidated balance sheet as of May 31, 1992.

(8) Lease Commitments

The Company is a guarantor of twelve leases for retail locations of its licensee Jennifer Chicago, L.P. for a period ranging from 16 to 60 months. Aggregate lease payments guaranteed by the Company are approximately $1,557,000.

As of May 1, 1992, the Company entered into operating leases for licensed stores in territories for which the Second Partnership is in the process of raising equity financing. If such financing is not raised, the year, and the aggregate, for all such leases are as follows:

Year ending August 31,	
1992	$ 25,327
1993	403,296
1994	644,193
1995	656,295
1996	676,934
Thereafter	4,018,383
	$6,424,428

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Jennifer Convertibles, Inc., a Delaware corporation, (the "Company"), is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 71 stores located primarily on the Eastern seaboard and in the Midwest. Of these stores, 33 are owned by the Company and 38 are licensed by the Company to third parties. Jennifer Convertibles stores specialize in the sale of a complete line of sofabeds and companion pieces, such as loveseats, chairs and recliners, designed and priced to appeal to a broad range of consumers. The sofabeds and companion pieces are made by several manufacturers and range from expensive high-end merchandise to relatively inexpensive models. The Company is the largest dealer of Sealy* sofabeds in the United States. Merchandise is displayed in attractively decorated model room settings in the store designed to show the merchandise as it would appear in the customers home. In order to generate sales, the Company relies on the attractive image of its owned and licensed stores, competitive pricing, prompt delivery and extensive advertising.

Of the Company-owned stores, nine are in New Jersey, six are in Massachusetts, six are in New York, two are in Virginia, four are in Connecticut, three are in Maryland, two are in New Hampshire and one is in Washington, D.C. Of the licensed stores, five are in New York, six are in Florida, 20 are in Illinois (sixteen stores of which are opened as of May 31, 1992), four are in Indiana, one is in Connecticut, one is in Maryland, and one is in New Jersey.

The Company is seeking to expand its operations into other areas of the country through licensing or other arrangements and has formed a second limited partnership (the "Second Partnership") and has selected 25 sites (of which seven have been opened and nine additional leases signed) for the purpose of establishing Company-licensed stores in the Detroit, St. Louis, Indianapolis, Milwaukee and Kansas City metropolitan areas. In addition, the Company is in the process of identifying sites for a third partnership (the "Third Partnership") formed for the purpose of establishing approximately 50 Company-licensed Jennifer Convertibles stores (of which three are already leased) in approximately 10 Southeastern and Midwestern cities. Furthermore, the Company has begun the site selection process for the purpose of licensing Jennifer Convertibles stores in approximately nine cities in Texas and other parts of the Southwest. Equity financing to open and operate such stores has not yet been raised by the Second Partnership or the Third Partnership. If the Second Partnership or the prospective licensees are unable to raise equity financing, the Company may fund the opening of stores from available cash and operate the stores as company-owned stores. In such case, the Company's results of operations would be impacted by the losses associated with new store openings and the Company's expansion may be slowed.

*** Denotes Registered Trademark**

Results of Operations

The following table sets forth selected operations data of the Company expressed as a percentage of sales for the period indicated below:

	Nine months ended May 31		Three months ended May 31	
	1992	1991	1992	1991
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales, including store occupancy, warehousing and delivery..................	61.5	66.6	60.5	63.9
Selling, general and administrative expenses.......	31.7	31.4	32.4	32.7
Interest expense	.2	.5	.1	.5
Earnings before income taxes and extraordinary item...	6.6	1.5	7.0	2.9
Income taxes	2.5	1.0	2.4	1.7
Extraordinary item	1.9	.5	2.1	.9
Net earnings	6.0	1.0	6.7	2.1

The Company's revenues consisting of sales and other income (which include principally royalty income and interest income) increased by 27.6% to $25,163,685 and 55.1% to $9,655,923 for the nine and three month periods ended May 31, 1992 as compared to $19,715,805 and $6,224,584 for the same periods in 1991. The Company's sales increased by 25.9% to $24,467,467 and 53% to $9,336,801 for the nine and three month periods ended May 31, 1992 as compared to $19,434,325 and $6,103,354 for the same periods in 1991. This increase in sales was achieved in each of the geographical areas where the Company operates stores, the Greater New York Metropolitan area, New England and the Washington D.C. area. The increase in sales was due primarily to intensified merchandising and marketing, and an upturn in general economic conditions. Comparable store sales for all stores, exclusive of stores sold or closed in 1991, increased by 28.8% and 53.1% for the nine and three month periods ended May 31, 1992, respectively, as compared to the same period in 1991.

Other income increased by $414,738 or 147%, and $197,892 or 163%, in the nine and three month periods ended May 31, 1992 as compared to the same periods in 1991 primarily as a result of increased royalty income attributable to the maturation of licensed stores, as well as the addition of new licensed stores.

Cost of sales increased 17.9% from $13,130,376 for the nine month period ended May 31, 1991 compared to $15,476,821 for the corresponding 1992 period and increased 46.7% from $3,979,983 for the three month period ended May 31, 1991 compared to $5,840,240 for the corresponding 1992 period. Although cost of sales increased in dollar terms, it decreased as a percentage of revenues from 66.6% to 61.5% over the nine month periods and from 63.9% to 60.5%

over the three month periods due largely to fixed costs spread over a higher sales base, royalty income with no significant incremental cost of sales and increased sales of higher margin merchandise.

Selling, general and administrative expenses were $7,975,270 and $3,128,541 for the nine and three month periods ended May 31, 1992, representing a 28.8% and 53.8% increase, respectively, as compared to the amounts in the nine and three month periods ended May 31, 1992. This increase was due principally to direct costs associated with increased sales as well as certain costs incurred in connection with the Company's licensing program. Selling, general and administrative expenses as percentage of revenues were 31.7% and 32.4% for the nine and three month periods ended May 31, 1992 as compared to 31.4% and 32.7% for the same periods in 1991. In connection with Harley J. Greenfield's waiver of salary for the three years ended August 31, 1991 a non-cash compensation expense of $15,000 and $25,000, respectively for the nine and three months ended May 31, 1991, has been recorded in the Company's consolidated financial statements with a corresponding increase in additional paid-in-capital, to reflect a deemed contribution made by Mr. Greenfield. However, as a result of a change in Mr. Greenfield's employment arrangements, the financial statements for the nine and three months ended May 31, 1992 do not reflect any such non-cash compensation expense.

Interest expense decreased 66% from $111,514 in the nine months ended May 31, 1991 to $37,912 for the corresponding period in 1992 and decreased 80.4% from $29,590 in the three months ended May 31, 1991 to $5,808 for the corresponding period in 1992, due principally to a decrease in the level of debt outstanding.

Net earnings improved by $1,321,103 and $518,059 for the nine and three month periods ended May 31, 1992, respectively, over the same periods for the prior year due to the above factors.

The Company had a backlog of merchandise upon which a deposit had been made of approximately $3,200,000 at July 15, 1992 and approximately $2,300,000 at July 15, 1991.

Liquidity and Capital Resources

As of May 31, 1992, the Company had available working capital of $8,189,505 compared to $1,614,589 as of August 31, 1991. As of May 31, 1992, the Company had available cash and cash equivalents of $7,468,707 compared to $1,744,488 as of August 31, 1991. The increase in cash and cash equivalents since August 31, 1991 is due, to a large extent, to the proceeds from exercise of previously outstanding Class A and Class B Warrants, the increase in sales and an overall increase in customer deposits. Such increase was partially offset by advances due of approximately, $450,000 from L.P. II, the Company's repayment of approximately $650,000 principle amount of long-term debt, $300,000 fee paid to JCI Consultants pursuant to the execution of the Consulting Agreement and capital expenditures of $290,000.

Subsequent to May 31, 1992, on July 16, 1992, the Company completed a public offering of $10,000,000 principle amount of 8 1/2% Convertible Subordinated Debentures ("Debentures") due July 15, 2002. The Debentures are convertible into common stock of the Company at any time prior to maturity at a conversion price of $8.75 per share, subject to adjustment under certain conditions. The Debentures are redeemable on or after July 15, 1994 (or earlier if the common stock trading price is at least 150% of the conversion price for a specified period) at the option of the Company at prices declining from 108.5% to 100% on or after July 15, 2000. Mandatory sinking fund payments will commence July 15, 1999 and will retire $1,000,000 principle amount of the Debentures each year. The Debentures are subordinated to all existing and future senior indebtedness, which includes all indebtedness other than the Debentures. In connection with the public offering, the Company issued to the underwriter warrants to purchase 100,000 shares of the Company's common stock exercisable at a price of $10.05 per share.

As of April 30, 1992, the Company has agreed, under certain conditions, to guarantee up to $1,000,000 of borrowings and as May 31, 1992, $1,557,000 of lease payments of the Chicago Partnership.

Assuming the Company's licensing program is successful, the Company does not anticipate significant capital expenditures during the balance of fiscal 1992. Management believes that its available working capital, plus funds derived from store operations and royalty income will be sufficient to enable the Company to meet its capital and liquidity requirements for the near future.

On January 13, 1992, the Company repaid its outstanding bank loan of $400,000.

Trends

The Company is seeking to add additional licensed stores. As such additional licensed stores commence operations, royalty income should continue to increase. In addition, the Company believes that as its currently licensed stores mature, royalty bearing sales should increase with a corresponding increase in royalty income.

The Company's interest expense will increase as a result of the issuance of the Debentures. The Company will seek to offset a portion of such increase in interest expense by the temporary investment of the proceeds from the public offering and interest income from loans which the Company will fofer to make to licensees.

JENNIFER CONVERTIBLES, INC.

PART II

OTHER INFORMATION

ITEMS 1 through 5.	NOT APPLICABLE.
ITEM 6.	EXHIBIT I - STATEMENT RE: COMPUTATION OF NET EARNINGS PER SHARE

JENNIFER CONVERTIBLES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JENNIFER CONVERTIBLES, INC.

July 17, 1992

By: ____________________
Harley J. Greenfield, Chairman
of the Board, President and
Chief Executive Officer

July 17, 1992

By: Isabelle Silverman
Isabelle Silverman, Vice President-
Finance (Chief Financial Officer)

JENNIFER CONVERTIBLES, INC.

EXHIBIT I

Statement Re: Computation of Net Earnings Per Share
Nine-month and three-month periods ended May 31, 1992 and 1991

	May 31, 1992 (3)		May 31, 1991 (3	
	Nine Months	Three Months	Nine Months	Three Month
	Primary		Primary	
Adjusted net earnings:				
Net earnings	$1,517,253	$ 650,780	$ 196,150	$ 132,721
Interest adjustments (1)	82,131	78,710	150,716	33,186
Adjusted net earnings	1,599,384	729,490	346,866	165,907
Adjusted weighted average common and common equivalent shares outstanding:				
Weighted average common shares outstanding	3,786,500	4,358,468	2,981,184	2,981,184
Weighted average common equivalents	605,340	1,091,747	860,350	860,350
Adjusted weighted average common and common equivalent shares outstanding	4,391,840	5,450,215	3,841,534	3,841,534
Net earnings per common and common equivalent shares	$ .36	$ .13	$ .09	$ .05
Historical calculation				
Adjusted net earnings	$1,599,384	$ 729,490	$ 196,150	$ 132,721
Adjusted average common and common equivalent shares outstanding	4,392,000	5,450,000	2,981,000	2,981,000
Net earnings per common and common equivalent shares outstanding	$ .36	$ .13	$ .07 (2)	$ .05 (2

(1) Calculated based on modified treasury stock method

(2) Because the effect of stock options and warrants were antidilutive, the earnings per shar calculation reported in the consolidated statement of operations in 1991 is based on th weighted average common shares outstanding without giving effect to common equivalen shares.

(3) Fully diluted calculation is not reflected because the effect is immaterial

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

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For Quarter Ended: January 31, 1992 Commission File Number: ~~0-18246~~

J P 2000 Corp. (formerly LaSalle Street Funding Corp.)
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of incorporation or organization)

84-1091689
(IRS Employer Identification No.)

42 North Benson Ave., Upland, California
(Address of principal executive offices)

91786
(Zip Code)

(714) 946-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(X) Yes ( ) No

As of February 29, 1992, the Company had 36,047,750 shares of its $.001 Par Value Common Stock outstanding.

This Form 10-Q consists of 10 pages.

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J P 2000 CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

JANUARY 31, 1992 and APRIL 30, 1991

(Unaudited)

ASSETS

	JANUARY 31, 1992	APRIL 30, 1991
CURRENT ASSETS		
Cash	$ 57,397	$ 73,824
Trade accounts receivable - net of allowance for doubtful accounts ($19,916 at January 31, 1992 and April 30, 1991)	437,999	477,989
Inventory	551,382	530,080
Prepaid expenses	20,292	35,121
Other current assets	21,144	23,313
Total Current Assets	1,088,214	1,140,327
PROPERTY AND EQUIPMENT - (Net of accumulated depreciation of $782,747 at January 31, 1992 and $688,688 at April 30, 1991)	190,675	226,678
OTHER ASSETS		
Patents and licenses	11,470	12,000
Deposits and other assets	59,039	52,971
DEFERRED INCOME TAXES	2,712	2,712
Total Assets	$ 1,352,110	$ 1,434,688

LIABILITIES AND STOCKHOLDER'S EQUITY

	JANUARY 31, 1992	APRIL 30, 1991
CURRENT LIABILITIES		
Trade accounts payable	130,300	63,407
Income taxes payable	47,894	53,334
Other accounts payable	35,469	28,440
Accrued pension contribution	215,599	209,599
Accrued expenses	225,862	200,433
Current portion of long-term debt	424,425	414,185
Total Current Liabilities	1,079,549	969,398
LONG-TERM DEBT	119,670	192,843
Total Liabilities	1,199,219	1,162,241
STOCKHOLDER'S EQUITY		
Preferred stock, $0.001 par value, 40,000,000 shares authorized, none issued	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 36,047,750 and shares issued and outstanding as of January 31, 1992 and 35,197,750 as of April 30, 1991	36,048	35,198
Paid in capital	301,645	302,295
Retained earnings	(184,802)	(65,046)
Total Stockholder's Equity	152,891	272,447
Total Liabilities and Stockholder's Equity	$ 1,352,110	$ 1,434,688

See accompanying notes to consolidated condensed financial statements.

J P 2000 CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JANUARY 31, 1992 and 1991

(Unaudited)

	THREE MONTHS ENDED JANUARY 31, 1992	1991
NET SALES	$ 748,563	$ 764,529
COST OF GOODS SOLD	452,632	522,116
Gross Profit	295,931	242,413
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	420,122	312,407
Operating Loss	(124,191)	(69,994)
NON-OPERATING INCOME (EXPENSE)		
Interest income	777	-
Interest expense	(11,076)	(8,695)
Non-operating revenues	3,374	1,598
Loss on disposition of assets	-	(401,938)
	(6,925)	(409,035)
LOSS BEFORE INCOME TAXES	(131,116)	(479,029)
INCOME TAXES	(570)	3,200
NET LOSS	$ (130,546)	$ (482,229)
NET LOSS PER SHARE	$ (0.004)	$ (0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	35,200,830	33,929,584

See accompanying notes to consolidated condensed financial statements.

J P 2000 CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED JANUARY 31, 1992 and 1991

(Unaudited)

	NINE MONTHS ENDED JANUARY 31,	
	1992	1991
NET SALES	$ 2,434,463	$ 2,668,919
COST OF GOODS SOLD	1,385,480	1,485,980
Gross Profit	1,048,983	1,182,939
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	1,141,353	943,686
Operating Income (Loss)	(92,370)	239,253
NON-OPERATING INCOME (EXPENSE)		
Interest income	5,593	
Interest expense	(33,526)	(111,146)
Non-operating revenues	4,268	9,281
Net loss on disposition of assets	(521)	(401,938)
	(24,186)	(503,803)
LOSS BEFORE INCOME TAXES	(116,556)	(264,550)
INCOME TAXES	3,200	3,200
NET LOSS	$ (119,756)	$ (267,750)
NET LOSS PER SHARE	$ (0.003)	$ (0.009)
WEIGHTED AVERAGE SHARES OUTSTANDING	35,200,830	31,176,114

See accompanying notes to consolidated condensed financial statements.

J P 2000 CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED JANUARY 31, 1992 and 1991

(Unaudited)

	NINE MONTHS ENDED JANUARY 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(119,756)	$(267,750)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	102,679	99,329
Net loss on disposition of assets	521	401,938
Changes in assets and liabilities:		
(Increase) decrease in receivables	39,990	141,416
Increase in inventory	(21,302)	(36,320)
(Increase) decrease in prepaid expenses	14,829	(36,836)
Decrease in other current assets	2,169	
Increase in accounts payable	66,893	19,102
Decrease in other accrued expenses and other liabilities	38,458	(91,304)
Increase (decrease) in income taxes payable	(5,440)	(95,066)
Decrease in deferred income tax		122,564
Net Cash Provided by Operating Activities	119,041	257,073
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures - plant equipment	(66,667)	(43,623)
Increase in other assets	(6,068)	
Proceeds on sale of assets		10,000
Net Cash Used in Investing Activities	(72,735)	(33,623)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase (decrease) in net current maturity notes payable	10,240	(154,031)
Increase (decrease) in net long-term debt	(73,173)	(60,713)
Issuance of common stock	200	100
Net Cash Used in Financing Activities	(62,733)	(214,644)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,427)	8,806
CASH AND CASH EQUIVALENTS at beginning of period	73,824	63,063
CASH AND CASH EQUIVALENTS at end of period	$ 57,397	$ 71,869

See accompanying notes to consolidated condensed financial statements.

J P 2000 CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

JANUARY 31, 1992

NOTE #1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. The information furnished reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair summary of the results of operations.

NOTE #2 - INVENTORIES

Inventories at January 31, 1992 and April 30, 1991 were as follows:

	JANUARY 31, 1992	APRIL 30, 1991
Raw materials	$ 532,193	$ 505,657
Work-in-process	17,711	22,474
Finished goods	1,478	1,949
	$ 551,382	$ 530,080

J P 2000 CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

JANUARY 31, 1992

All comparisons and discussion of financial position and results of operations are between the current period and the financial information of the prior period.

RESULTS OF OPERATIONS

Net sales for the quarter and nine months ended January 31, 1992, decreased $15,966 and $234,456, over the same periods of the preceding year. Net sales have decreased due to a decrease in sales orders for the periods.

Cost of products sold has increased slightly from approximately 55.7% for the nine months ended January 31, 1991, to approximately 56.9% for the current nine month period. The company had an increase in indirect labor costs as a percentage of sales and also an increase in other indirect manufacturing costs (primarily increased pension expense) to increase the overall cost of manufacturing goods as a percentage of sales.

Selling and administrative costs have increased from approximately 35.3% of net sales for the nine months ended January 31, 1991, to approximately 46.9% for the current nine month period. The increase is due to the 9% decrease in sales with an overall increase in the general and administrative expenses of the company (primarily due to an increase in legal costs, advertising, and sales commissions).

Other non-operating expenses have decreased from the prior nine months ended January 31, 1991 by $479,617. This decrease is principally due to interest expense decreases as a result of the reduction of notes payable from the corresponding prior period ended January 31, 1991, and the decrease in the net loss on the disposal of land which the company voluntarily returned to the secured lender.

The income taxes represent the minimum state franchise tax for the nine months ended January 31, 1992 and 1991.

FINANCIAL CONDITION

The Company's current ratio has decreased slightly to 1 to 1 as of January 31, 1992, as compared to 1.2 to 1 as of April 30, 1991. The decrease in this ratio was primarily due to an increase in accounts payable, the current portion of long-term debt and accrued expense, and a decrease in cash and accounts receivable. The Company's quick ratio (accounts receivable and cash to current liabilities) is .46 to 1 as of January 31, 1992, as compared to .57 to 1 as of April 30, 1991. Cash and accounts receivable have decreased due to a reduction in sales, while current liabilities have increased.

The debt to equity ratio of the Company has increased over the previous period ended April 30, 1991 from 4.3 to 1 to 7.8 to 1 as of January 31, 1992, due primarily to a reduction in equity as a result of the net loss incurred for the nine months ended January 31, 1992.

The Company continues to perform on all of its debt obligations.

Management is confident that the Company's current credit lines, along with cash generated from future operations will be sufficient to satisfy the Company's working capital needs on a short term and long term basis.

INFLATION

Normally, inflation has not had a significant impact on the Company's operations. The Company's business is not generally governed by contracts at established fixed prices. Consequently, selling prices, to the extent permitted by competition, are adjusted accordingly to reflect current inflationary cost increases.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

No director, officer or affiliate of the Company, owner of record or beneficiary of more than five percent of the securities of the Company, or associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in any pending litigation.

Item 2 - Changes in Securities

There have been no changes in the securities of the Company.

Item 3 - Defaults Upon Senior Securities

There have been no defaults on any securities. The Company has no obligations with regard to dividends and no preferred stock is outstanding.

Item 4 - Submission of Matters to a Vote of Security Holders

There has been no meeting of the shareholders of the Company nor have any matters been submitted to a vote of the security holders through the solicitation of proxies or otherwise.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8 K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

J P 2000 Corp.

Date Mar 12, 1992

WPeterson
William P. Peterson, President

Date MARCH 12, 1992

Patricia Hall, Chief Financial Officer

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Form 10Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended: May 31, 1992

Commission File Number: 0-11050

Mammatech Corporation
(Exact name of registrant as specified in its charter)

Florida	59-2181303
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
930 N.W. 8th Avenue, Gainesville, Florida	32601
(Address of principal executive offices)	(Zip Code)

(904) 375-0607
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares outstanding on

May 31, 1992

60,352,500 shares of which
7,408,500 are treasury shares

TITLE OF EACH CLASS
Common stock $.0001 par value

The total number of pages of this report is 11

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Mammatech Corporation

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PART I.

FINANCIAL INFORMATION PAGE NO.

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Mammatech Corporation
Statements of Operations
(Unaudited)

	Nine Months Ended		Three Months Ended	
	May 1992	May 1991	May 1992	May 1991
Sales, net	$117,537	90,528	$51,429	22,196
Cost of sales	42,367	37,001	17,214	10,300
Gross Profit	75,170	53,527	34,215	11,896
Selling,general and adminstrative expense	$ 93,692	110,876	31,774	33,948
Operating Income (Loss)	(18,522)	(57,349)	2,441	(22,052)
Other income (expense)	-	-	-	-
Interest & Dividend Income	9,173	15,998	2,766	4,748
Gain or (loss) on sale of securities	-	-	-	-
Miscellaneous expense				
	9,173	15,998	2,766	4,748
NET INCOME (LOSS)	(9,349)	(41,351)	5,207	(17,304)
Net income (loss) per share	(.00015)	(.0009)	.00008	(.0003)
Weighted average shares	60,352,500	60,352,500	60,352,500	60,352,500

The accompanying notes are an integral part of the financial statements.

Mammatech Corporation

Balance Sheets

	May 31, 1992 (Unaudited)	Aug. 31, 1991 (Audited)
ASSETS		
Cash and Cash Equivalents	$ 454	$ 7,801
Marketable securities	3,468	20,348
Accounts receivable:		
Trade	40,189	29,875
Other	2,399	2,162
Inventory	33,739	35,972
Other current assets	8,275	
Total Current Assets	88,524	96,158
Property and equipment	2,301	2,101
Other assets:		
Note receivable: related parties	109,076	107,859
Other investments	34,000	34,000
Patents, trademarks, and other intangibles, net of accumulated amortization of $11,526 and $7,783 respectively.	26,634	25,440
Total other assets	169,710	167,299
TOTAL ASSETS	$260,535	$265,558

The accompanying notes are an integral part of the financial statements.

Mammatech Corporation

Balance Sheets
As of August 31, 1991
and May 31, 1992
(continued)

	May 1992	Aug 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable-trade	$55,174	$54,302
Accrued payable-officer	11,440	7,070
Accrued expenses	25,646	26,561
TOTAL CURRENT LIABILITIES	92,260	87,933
COMMITMENTS		
Stockholders' equity:		
Common stock, par value $.0001; 200,000,000 shares authorized; 60,352,500 shares issued and outstanding	$ 6,035	$ 6,035
Additional paid-in capital	2,773,261	2,773,261
Accumulated deficit	(2,438,970)	(2,429,620)
	340,326	349,676
Treasury stock at cost, 7,408,500 shares	(172,051)	(172,051)
	168,275	177,625
TOTAL LIABILITIES	$260,535	$265,558

The accompanying notes are an integral part of these statements.

Mammatech Corporation
Statement of Cash Flow
For the Nine Months Ending
May 31, 1992

Operating Activites:	
Net Loss	($ 9,349)
Adjustments to reconcile net loss to net cash:	
Decrease in receivables	(10,314)
Decrease in inventory	2,233
Increase in other assets	(10,706)
Increase in accounts payable	872
Increase in accounts payable(officer)	4,370
Increase in accrued expenses	(915)
Net cash flow from operating activities	(22,809)
Investing Activities:	
Increase in related party receivables	(1,217
Furniture and fixtures	(201)
Sale of marketable securities	16,880
Financing activities:	
Issuance of treasury shares	-0-
Net increase (decrease) in cash	(7,347)
Beginning cash	7,801
Ending cash	$ 454

The accompanying notes are an integral part of the financial statements

Mammatech Corporation
Statement of Cash Flow
For the Nine Months Ending May 31, 1991

Operating Activites:	
Net Loss	($41,351)
Adjustments to reconcile net loss to net cash:	
Depreciation	3,105
Amortization	2,157
Decrease in receivables	(9,311)
Decrease in inventory	(290)
Increase in other assets	(2,091)
Increase in accounts payable	(2,571)
Increase in accounts payable(officer)	1,170
Increase in accrued expenses	(1,148)
Net cash flow from operating activities	(50,330)
Investing Activities:	
Decrease in related party receivables	29,401
Furniture and fixtures	(137)
Financing activities:	
Issuance of treasury shares	-0-
Net increase (decrease) in cash	(21,066)
Beginning cash	40,001
Ending cash	$18,935

The accompanying notes are an integral part of the financial statements

Mammatech Corporation
Notes to Financial Statements
May 31, 1992

Note 1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of May 31, 1992, and the results of operations and changes in financial position for the three months ended May 31, 1992.

Note 2. Loss per share is based on the weighted average number of shares outstanding during each period.

Note 3. Gives effect to the Company's repurchasing 7,558,500 shares of stock from shareholders for treasury stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION FOR MAMMATECH CORPORATION

The third quarter of Fiscal 1992 produced the best results in the Company's history. Sales increased 28.9% from the previous quarter and 132% compared to the third quarter of 1991. Operating expense decreased 4.1% relative to the second quarter and 6.4% in comparison to the third quarter of last year. As a result, the Company is able to report the first positive quarterly earnings figure in its history.

The nine-month figures are comparable. Sales increased 29.8% over the first nine months of 1991 and operating expenses were decreased by 15.5%. This resulted in a 67.7% reduction in the operating loss and a 77.4% reduction in the net loss.

A major portion of the Company's third quarter revenues came from a single order placed by the Michigan Department of Public Health. The Center for Disease Control has awarded grants to a number of State Departments of Public Health to implement training programs which will increase screening for breast cancer. The Michigan awardees adopted the Company's MammaCare® products for their training. The Company is conducting discussions with other State awardees, including the California Department of Public Health, but there can be no assurance that any revenues will result.

The Company is also conducting negotiations with the President of a major hospital chain in India following a successful introduction of the Company's products at a health fair in Madras. The Company is planning development of special products for the Indian market, assuming receipt of a commitment sufficient to justify the expenditure. Of course, there can be no assurance that such a commitment will materialize or that significant revenues will result.

The Company has now consolidated its manufacturing facilities in the Gainesville, Florida area and is approaching "just-in-time" production scheduling. This should result in reduced inventory costs, primarily through increased timeliness of quality assurance measures.

The Company remains debt-free and has no immediate liquidity problems. It continues to seek an affiliation with a larger entity in the health care industry.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a.) Exhibits - None

(b.) There were no reports filed on Form 8-K during the three months ending May 31, 1992.

10-Q

For the three months ended May 31, 1992

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAMMATECH CORPORATION

DATE: July 14, 1992 BY: Henry S. Pennypacker
Henry S. Pennypacker, President
and Director

BY: Mary Sellers
Mary Sellers, Treasurer and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT

Filed pursuant to Section 12, 13 or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

NRP INC.
(Exact name of registrant as specified in charter)

AMENDMENT NO.1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1992, as set forth on the pages attached hereto.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

NRP INC.

Michael G Santry

Michael G. Santry,
President

DATE: July 6, 1992

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Management's Discussion and Analysis of Financial Condition and Results of Operation.

The accompanying consolidated financial statements, in the opinion of the Registrant's management, contain all material, normal and recurring adjustments necessary to present accurately the consolidated financial condition of the Registrant and the consolidated results of its operations for the quarter ended March 31, 1992. The consolidated results of operations for the periods reported are not necessarily indicative of the results to be experienced for the entire current fiscal year.

Results of Operations

For the three months ended March 31, 1992 Registrant had operating income of $355,303 on revenues of $9,151,874. The consolidated net income for the quarter was $206,170 after the inclusion of net interest expense of $189,063 and an unrealized foreign exchange gain of $39,930. For the nine month period ending March 31, 1992 the Registrant earned $1,031,419 from operations on revenues of $25,733,943. After including $746,627 in net interest expense and an unrealized foreign exchange loss of $34,000, the Registrant recognized net income of $250,792. In comparable prior year periods, the Registrant recognized operating income of $204,108 and net income of $147,882 for the three month period and $512,320 in operating income and net income of $9,179 for the nine month period. The increase in operating performance is due primarily to continued improvement in the performance of the Registrant's telemarketing subsidiary, Advanced Telemarketing Corporation ("ATC"), in the current year. The change in operating results for the Registrant's other operating subsidiaries were immaterial based on a comparison of year to date periods.

Revenues increased $533,179 for the three month period and for the nine month period increased $2,739,398 versus corresponding three and nine month periods in the previous fiscal year. As revenues at the Registrant's other operating subsidiaries remained virtually unchanged, these 6.2% and 11.9% increases for the three and nine month periods respectively are attributable primarily to increased revenues generated by two major customers of ATC. Approximately 54% of the Registrant's total consolidated revenues for the nine month period were earned by ATC.

For the three month period ended March 31, gross profit earned on revenues increased to $2,686,491 in 1992 as compared to $2,201,551 in 1991. Gross profit for the nine month period in 1992 was $7,174,312 versus $5,816,976 in 1991. As a percentage of revenues the current nine month period's gross profit margin was 28%, an increase from the 25% margin earned in the same period in the prior year. Both the actual dollar and the percentage of revenue increases in the gross margin are attributable to improved operational efficiencies resulting in increased margins at ATC.

Selling, general and administrative expenses increased $321,761 and $900,831 in the current year's three and nine month periods, respectively, versus comparable periods in the prior year. These increases are due in part to revenue growth experienced by ATC in the current year and in part to certain one-time credits recognized by the Registrant in the prior year.

For the three month period ending March 31, 1992, depreciation and amortization expense increased slightly as compared to the same period in the prior year due to the depreciation of certain capital equipment acquired in the second quarter of the current fiscal year by ATC under capitalized lease obligations. The full depreciation of certain of the Registrant's fixed assets in the current fiscal year and the later part of the previous fiscal year offset the slight increase in the current three month period and resulted in an increase in the depreciation and amortization expense of $62,594 for the current nine month period ending March 31, 1992 as compared to the same period in the previous year.

Net interest expense (net of interest income) for the current quarter was $189,063 versus $256,426 in 1991. For the nine month period ending March 31, 1992, net interest expense was $746,627 as compared to $542,081 in the previous fiscal year's comparable nine month period. The increase in the nine month period reflects primarily an increase in short-term borrowings to finance the revenue growth and to fund operations at ATC in the current year. The Registrant arranged a new accounts receivable factoring agreement for ATC in the second quarter of the current fiscal year in which certain of ATC's receivables are discounted based on terms more favorable than the previous receivable factoring arrangement. As a result, net interest expense decreased during the current quarter versus the prior year three month period despite an increase in revenues earned by ATC and a corresponding increase in short-term borrowing by ATC in the quarter.

Foreign currency translations resulted in an unrealized gain of $39,930 in the current quarter versus an unrealized gain of $200,200 in the prior year quarter and an unrealized loss of $34,000 for the nine months ending March 31, 1992 compared to a $38,940 unrealized gain in the same period in 1991.

Liquidity and Capital Resources

Management considers the liquidity of all its operations to be satisfactory with the exception of its telemarketing subsidiary, ATC. At March 31, 1992 all operations, excluding ATC, had $5,645,212 in cash, accounts receivables, and prepaid expenses to support $3,758,941 in payables and accrued liabilities and $160,310 in short-term borrowing. There are no extraordinary capital requirements for those operations during the quarter ending June 30, 1992 and all liquidity requirements for the quarter will be met by operations. The Registrant has approximately $1,000,000 in long-term debt maturing in the next fiscal year Management anticipates that these long-term obligations can be met with income produced by its operating subsidiaries.

For the nine months ended March 31, 1992 the Registrant's telemarketing subsidiary, ATC, produced income from operations of $902,968 and cash flow from operations of $1,093,327 versus income from operations of $616,095 and cash flow from operations of $740,199 for the same period in the prior year. Management currently anticipates that ATC will incur a small loss during the next fiscal quarter, but that ATC should return to profitability in the first quarter of the next fiscal year and produce operating results for the fiscal year that demonstrate significant improvement over the operating results for the previous fiscal year. ATC's current accounts receivable factoring arrangement is anticipated to be sufficient to provide working capital financing through the remainder of the fiscal year.

At March 31, 1992 ATC had negative working capital of $1,042,609 which reflects the impact of negative operating results in previous years. In addition to the negative working capital, ATC is currently the defendant in litigation concerning a $959,560 unsecured note payable to Merrill Lynch Private Capital ("MLPC"), in which MLPC is seeking payment of the unsecured note from ATC. ATC has denied the validity of the note and the material allegations of the suit and has filed a counterclaim against MLPC to recover approximately $700,000 ATC has paid in principal and interest on the note in question. During the fiscal year ending June 30, 1991, ATC's management determined that the $959,560 unsecured note had been issued without consideration, and as such, ATC eliminated from its financial statement the note and the corresponding amount of goodwill recorded at the time of acquisition of ATC by the Registrant. The net effect on the prior year's financial statement of operations of eliminating this note is immaterial.

On March 26, 1992 the court ruled in favor of MLPC on MLPC's summary judgement motion relating to the issue of the voidability of the note in question, although the court expressly declined to rule at that time on ATC's counterclaim or on the merit of its other defenses. ATC is currently involved in discussions with MLPC in an effort to reach a settlement in this litigation in order to avoid costly and protracted future litigation. Management currently anticipates that such discussions will ultimately result in a liability from ATC to MLPC. At this time management is unable to determine the amount of such liability and therefore is not yet able to reinstate a liability and the corresponding increase to goodwill on the Registrant's balance sheet.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8 10-Q@

AMENDMENT TO APPLICATION OR REPORT
Filed pursuant to Section 12, 13, or 15(d) of the
Securities Exchange Act of 1934

Q92-2236

NAB ASSET CORPORATION

(Exact name of registrant as specified in charter)

Amendment No. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, as set forth below:

Part II - Item 5

Item 5 of Part II is hereby amended by inserting the Consolidated Statements of Assets and Liabilities for National Asset Bank (a bank in liquidation) and Subsidiary, as set forth on page 2 hereof, immediately prior to the Consolidated Statements of Operations and Changes in Net Assets included in the Form 10-Q as originally filed.

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NATIONAL ASSET BANK
(a bank in liquidation)
and Subsidiary
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(In thousands, except per share data)

	March 31, 1991	December 31, 1990
Assets		
Cash in other banks	$ 245	$ 81
Interest-bearing deposits in other banks	12	12
Federal funds sold	5,800	7,100
Cash and cash equivalents	6,057	7,193
Loans at fair value (note 3)	8,397	3,366
Loans classified as in-substance foreclosures at fair value (note 4)	10,561	10,635
Real estate at fair value (note 5)	23,396	29,318
Other repossessed assets at fair value	441	482
Other assets	637	179
Total Assets	49,489	51,173
Liabilities		
Accounts payable and other accrued expenses (note 6)	697	1,424
Liability for directors qualifying shares	5	5
Total Liabilities	702	1,429
Commitments and other contingencies (note 7)		
Net assets	$ 48,787	$ 49,744
Net assets per share (note 10)	$1.18	$1.20

See accompanying notes to consolidated financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated May 13, 1992

NAB ASSET CORPORATION

By: ____________________
Michael A. Hrebenar
President and Chief Executive Officer

By: ____________________
Richard A. Durham
Senior Vice President and Chief
Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended Mar. 31, 1992 Commission File Number 0-13773

PEOPLES MID-ILLINOIS CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	37-0960788
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification No.)
120 North Center Street, Bloomington, Il.	61702-0068
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 309/823-7000

None
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 14, 1992.
Common Stock (Par value $2.50)	1,898,722 shares

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PART I.

Item 1. Financial Statements

PEOPLES MID-ILLINOIS CORPORATION
CONSOLIDATED BALANCE SHEET (Unaudited)
(In thousands)

	March 31, 1992	December 31, 1991
Assets		
Cash and due from banks	$ 29,284	$ 30,476
Federal funds sold and other short-term investments	30,000	18,000
Investment securities	147,424	173,367
Loans	128,171	136,350
Less: Reserve for possible loan losses	(2,221)	(2,214)
Net Loans	125,950	134,136
Premises and equipment	4,069	4,137
Other assets	4,221	5,145
Total Assets	$340,948	$365,261
Liabilities		
Deposits:		
Demand	$ 49,519	$ 52,380
Savings	86,464	82,267
Time	106,786	116,248
Total Deposits	242,769	250,895
Federal funds purchased	18,185	21,980
Securities sold under agreement to repurchase	37,401	40,569
Interest-bearing demand notes issued to the U.S.Treasury	5,130	15,000
Other liabilities	4,064	4,124
Total Liabilities	307,549	332,568
Stockholders' Equity		
Preferred stock	-	-
Common stock	5,159	5,159
Surplus	9,979	9,979
Retained earnings	19,231	18,525
Less-Treasury stock at cost	(970)	(970)
Total Stockholders' Equity	33,399	32,693
Total Liabilities and Stockholders' Equity	$340,948	$365,261

(See accompanying notes to consolidated financial statements)

PEOPLES MID-ILLINOIS CORPORATION
CONSOLIDATED STATEMENT OF INCOME (Unaudited)
(In thousands except per share data)

	Three Months Ended March 31	
	1992	1991
Interest Income from:		
Loans	$ 2,949	$ 3,089
Investment securities:		
Taxable	2,093	2,738
Exempt from federal income taxes	594	510
Other	586	456
Total Interest Income	6,222	6,793
Interest Expense on:		
Deposits	2,582	3,085
Short-term borrowings	738	931
Total Interest Expense	3,320	4,016
Net Interest Income	2,902	2,777
Provision for loan losses	-	-
Net Interest Income After Provision for Loan Losses	2,902	2,777
Noninterest Income		
Trust and farm management fees	414	436
Service charges on deposit accounts	223	208
Other	187	112
Total Noninterest Income	824	756
Noninterest Expense		
Salaries and employee benefits	1,133	1,072
Occupancy of bank premises	186	169
Equipment	128	161
Federal deposit insurance premium	138	108
Federal Reserve Bank service fees	100	96
Other	523	504
Total Noninterest Expenses	2,208	2,110
Income Before Income Taxes	1,518	1,423
Provision for income taxes	337	321
Net Income	$ 1,181	$ 1,102
Per Share Data		
Average shares outstanding	1,898,722	1,900,722
Net income	.62	.58
Cash dividends paid	.25	.17

(See accompanying notes to consolidated financial statements)

PEOPLES MID-ILLINOIS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	1992	1991
Operating Activities		
Net income	$ 1,181	$ 1,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	109	126
Net amortization (accretion) related to investments	265	(156)
Net decrease in other assets	924	757
Net (decrease) increase in other liabilities	(61)	23
Net Cash Provided from Operating Activities	2,418	1,852
Investing Activities		
Sales/maturities of investment securities	35,457	46,805
Purchases of investment securities	(9,779)	(43,889)
Net decrease in loans	8,187	5,807
Purchases of premises and equipment	(41)	(61)
Net Cash Used by Investing Activities	33,824	8,662
Financing Activities		
Net decrease in deposits	(8,126)	(2,866)
Net decrease in short-term borrowings	(16,833)	(692)
Cash dividends	(475)	(317)
Net Cash Used by Financing Activities	(25,434)	(3,875)
Change in Cash and Cash Equivalents	10,808	6,639
Cash and cash equivalents at beginning of year	48,476	37,941
Cash and Cash Equivalents at End of Period	$ 59,284	$ 44,580
Supplemental Information		
Cash paid:		
Interest on deposits and short-term borrowings	$ 3,752	$ 4,427
Income taxes	105	-

(See accompanying notes to consolidated financial statements)

PEOPLES MID-ILLINOIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation	The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and with Rule 10-01 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements by generally accepted accounting principles. The consolidated financial statements include all adjustments which are, in the opinion of management, necessary to a fair statement of the results of these periods.
2. Reclassifications	Certain 1991 amounts have been reclassified to conform with 1992 presentations.

Management's Discussion and Analysis

Financial Condition

Total assets of Peoples Mid-Illinois Corporation (the "Corporation") declined from $365,261,000 at December 31, 1991 to $340,948,000 at March 31, 1992. A significant portion of the decline in assets was due to the decrease of $9,870,000 in the interest bearing note issued to the U. S. Treasury. The balance of this note fluctuates daily and is determined by the U. S. Treasury. Proceeds of the note are invested in federal funds sold or other overnight investments.

Federal funds sold and other short-term investments increased to $30,000,000 at March 31, 1992 from $18,000,000 at December 31, 1991 despite the decline in the interest bearing note issued to the U.S. Treasury. Funds received from maturing investments and loan refinancings have been invested in short-term investments as an alternative to locking in the extremely low rates available on medium term investments during the first quarter of 1992.

Investment securities decreased to $147,424,000 at March 31, 1992 from $173,367,000 at December 31, 1991. Maturing securities have been reinvested in short-term investments (above) or were used to fund the withdrawal of funds from maturing time deposits and securities sold under agreement to repurchase discussed below.

Net loans decreased from $134,136,000 at December 31,1991 to $125,950,000 at March 31, 1992. $6,345,000 of the decrease was in real estate loans, primarily residential. Low mortgage rates resulted in an increase in refinancings of residential mortgages of 15 year and 30 year terms. The Corporation sells these mortgages to the Federal Home Loan Mortgage Corporation ("FHLMC") rather than holding the loans in its portfolio to eliminate exposure to interest rate risk over the life of the loan. The Corporation continues to service these loans for FHLMC, which has resulted in an increase in noninterest income.

The decrease in loans caused the reserve for loan loss to increase to 1.73% of total loans at March 31, 1992 from 1.62% at December 31, 1991. The reserve increased $7,000 during the first three months of 1992 as recoveries of loans previously charged off exceeded charge-offs. Nonperforming loans (total nonaccrual and renegotiated loans) decreased to $62,000 at March 31, 1992 from $159,000 at December 31, 1991. These amounts indicate that the quality of the Corporation's loan portfolio remains high.

Total deposits decreased $8,126,000 to $242,769,000 at March 31, 1992 from $250,895,000 at December 31, 1991. Demand deposits decreased $2,861,000 from year end to March 31 as a result of a decrease in official checks. Time deposits decreased $9,462,000 from $116,248,000 at December 31, 1991 to $106,786,000 at March 31,

1992. This decrease also resulted from the low interest rate environment during the first quarter of 1992. Many customers moved their funds from time deposits and securities sold under agreement to repurchase (which decreased from $40,569,000 at December 31, 1991 to $37,401,000 at March 31, 1992) to savings deposits to avoid locking in the low rates. As a result, savings deposits increased from $82,267,000 at December 31, 1991 to $86,464,000 at March 31, 1992. Other customers withdrew funds from maturing time deposits and repurchase agreements to invest in mutual funds and other financial products not offered by the Corporation.

Federal funds purchased decreased to $18,185,000 at March 31, 1992 from $21,980,000 at December 31, 1991. As a service to correspondent financial institutions, the Corporation purchases excess funds from them. The correspondent institutions generally determine the amount of the transactions.

The Corporation's capital increased to $33,399,000 at March 31, 1992 from $32,693,000 at December 31, 1991. At March 31, 1992, the leverage ratio (primary capital as a percentage of total assets) was 9.8%, the Tier I capital (total stockholders' equity) to risk weighted assets ratio was 21.68% and the total capital (Tier I capital plus reserve for loan loss) to risk weighted assets ratio was 23.13%. At December 31, 1991, these ratios were 8.95%, 20.03%, and 21.39%, respectively. By year-end 1992, new capital guidelines will be in place under which banks and bank holding companies are required to have a minimum 4% Tier I ratio and a minimum 8% total capital ratio.

Results of Operations

Net income for the three months ended March 31, 1992 was $1,181,000 compared to $1,102,000 for the three months ended March 31, 1991. On a per share basis, net income was $.62 and $.58 for the three months ended March 31, 1992 and 1991, respectively.

The increase in net income was primarily due to an increase in net interest income of $125,000 in the first quarter of 1992 compared to the same period in 1991. Net interest income increased despite a 35 basis point decrease in the net interest rate margin (net interest income divided by average interest earning assets) to 3.32% for the first quarter of 1992 compared to 3.67% during the first quarter of 1991. Average interest earning assets increased $43,147,000 to $346,167,000 during the first quarter of 1992 compared to $303,020,000 during the first quarter of 1991 and average interest bearing liabilities increased $29,856,000 to $272,058,000 for the three months ended March 31, 1992 compared to $242,202,000 during the same period in 1991. The increases in average balances offset the decrease in the net interest rate margin resulting in the increase in net interest income.

The Corporation's marketing efforts and locally competitive rates on deposited funds and security repurchase agreements in 1991 resulted in increased interest bearing liabilities which funded the increase in interest earning assets. Despite the decreases in interest earning assets and interest bearing liabilities from December 31, 1991 to March 31, 1992, the average balances for the first quarter of 1992 were significantly higher than the first quarter of 1991.

Noninterest income increased $68,000 to $824,000 for the first three months of 1992 compared to $756,000 for the same period in 1991. Other noninterest income increased from $112,000 during the first quarter of 1991 to $187,000 for the first quarter of 1992 due to: $42,000 increase in mortgage loan application and servicing fees: $16,000 increase in letter of credit fees and $14,000 increase in ATM and credit card fees. Farm management fees decreased $22,000 in the first quarter of 1992 compared to the first quarter of 1991 due to a one-time consulting fee received in 1991. Service charges on deposit accounts increased $15,000 during the first quarter of 1992 compared to the same period in 1991 due to lower earnings allowance rates in 1992 and increased NSF/OD fees.

Non-interest expense increased $98,000 to $2,208,000 for the first quarter of 1992 compared to $2,110,000 for the same period in 1991. Salaries and employee benefits increased $61,000 for the first quarter of 1992 compared to 1991 due to normal increases in employee-related costs. Equipment expense decreased $33,000 to $128,000 for the first quarter of 1992 compared to $161,000 for the same period of 1991 due to reduced depreciation on capital equipequipment purchased in 1989 as well as decreased maintenance contract expense. An 18% increase in the Federal Deposit Insurance Corporation ("FDIC") premium and a higher deposit base resulted in a $30,000 increase in FDIC premium expense during the first quarter of 1992 compared to the first quarter of 1991. Other noninterest expense increased $19,000 to $523,000 for the three months ended March 31, 1992 compared to $504,000 for the same period in 1991 primarily due to an increase in advertising expense. Occupancy expense increased $17,000 to $186,000 for the three months ended March 31, 1992 compared to $169,000 for the same period in 1991 due to an increase in utility costs and property rental.

The provision for income tax increased to $337,000 for the three months ended March 31, 1992 from $321,000 for the three months ended March 31, 1991 due to the increase in income before income tax in 1992 over 1991.

PART II

Item 6. Exhibits and Reports on Form 8-K

The registrant did not file any reports of Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEOPLES MID-ILLINOIS CORPORATION
(Registrant)

DATE: May 14, 1992.

By: ______________________
Andrew F. Anderson
President

DATE: May 14, 1992.

By: ______________________
Theresa Boyd
Secretary/Treasurer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
23-11 -V
JUL 20 1992

Commission file number 0-12807

PHOTOCOMM, INC.

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Incorporated in the State of Arizona IRS no. 86-0411983 L36

7681 East Gray Road
Scottsdale, Arizona 85260
(602)948-8003

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes (X) No ( )

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of June 30, 1992
Common Stock, $0.10 par value	9,010,037

PHOTOCOMM, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MAY 31, 1992 and AUGUST 31, 1991

	5/31/92	8/31/91
Assets		
Current Assets:		
Cash and cash equivalents	$ 21,540	$ 119,454
Accounts receivable	1,365,670	1,624,855
Inventories	2,765,589	2,267,223
Other current assets	175,629	117,421
Total current assets	4,328,428	4,128,953
Property and equipment at cost less accumulated depreciation and amortization	1,709,924	1,731,109
Other assets	334,393	378,696
Total assets	$ 6,372,745	$ 6,238,758
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current installments of long term debt	$ 272,641	$ 373,439
Accounts payable	2,133,978	1,287,504
Accrued salaries & wages	84,410	152,921
Accrued interest payable	115,697	116,442
Other accrued expenses	56,111	44,744
Total current liabilities	2,662,837	1,975,050
Long-term debt, less current installments	975,678	1,008,814
Subordinated convertible debentures	750,000	1,375,000
Total liabilities	4,388,515	4,358,864
Stockholders' Equity:		
Preferred stock: $.001 par value, 5,000,000 shares authorized;		
Series A 12% convertible preferred stock, 100,000 shares authorized; 92,101 and 71,000 shares issued and outstanding	92	71
Series B 12% convertible preferred stock, 350,000 shares authorized; 191,692 shares issued and outstanding	192	-
Common stock: $.10 par value, 20,000,000 shares authorized; 9,010,037 and 9,186,205 shares issued and outstanding	901,004	918,621
Additional paid-in capital	6,794,589	5,998,990
Accumulated deficit	(5,711,647)	(5,037,788)
Total stockholders' equity	1,984,230	1,879,894
Total liabilities and stockholders' equity	$ 6,372,745	$ 6,238,758

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended May 31		Nine Months Ended May 31	
	1992	1991	1992	1991
Sales, net	$2,575,014	$2,514,444	$7,749,076	$7,581,742
Cost of sales	1,984,355	1,891,496	5,968,112	5,450,320
Gross profit	590,659	622,948	1,780,964	2,131,422
Selling, general and administrative	802,695	957,463	2,346,769	2,738,384
Loss from operations	(212,036)	(334,515)	(565,805)	(606,962)
Other income (expense):				
Interest expense	(59,108)	(68,195)	(171,650)	(201,049)
Interest income	321	236	3,106	48,499
Other, net	31,572	16,563	60,490	38,185
Net loss	$ (239,251)	$(385,911)	$ (673,859)	$(721,327)
Loss per share	$ (.03)	$ (.04)	$ (.08)	$ (.08)
Weighted average number of common shares outstanding	9,056,621	8,923,288	9,056,621	8,923,288

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

MAY 31, 1992 AND AUGUST 31, 1991

(UNAUDITED)

	CONVERTIBLE PREFERRED STOCK SERIES A		CONVERTIBLE PREFERRED STOCK SERIES B		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TO
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, August 31, 1991	71,000	$ 71	0	$ 0	9,186,205	$910,621	$5,998,990	$(5,037,788)	$1,879,
Net loss								(673,859)	(673,
Conversion of common stock and convertible debenture into preferred stock			186,109	186	(200,000)	(20,000)	700,359		680,
Preferred stock dividends declared ($0.15 per share)							(47,770)		(47,
Preferred stock dividends issued	6,101	6	5,583	6			58,408		58,
Purchase of restricted common shares					34,332	3,433	23,617		27,
Purchase of preferred stock	15,000	15					59,985		60,
Cancel unissued common stock reserved for Sunland merger					(12,500)	(1,250)	1,250		--
Additional issuance costs of preferred shares							(250)		(2
Balance, May 31, 1992	92,101	$ 92	191,692	$ 192	9,010,037	$901,004	$6,794,509	$(5,711,647)	$1,984,2

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED MAY 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net loss	$(673,859)	$(721,327)
Adjustments to reconcile net loss to net cash used by operating activities:		
Interest income on discounted note	-	(42,670)
Depreciation and amortization	168,621	114,415
Loss on sale of property and equipment	6,521	1,822
Increase (decrease) in allowances for doubtful accounts and inventory obsolescence	57,935	(19,450)
Decrease (increase) in accounts receivable	223,785	(154,087)
(Increase) in inventories	(513,608)	(653,750)
Increase in accounts payable and accrued expenses	854,530	85,657
(Increase) in other current assets	(58,208)	(43,365)
Net cash provided by (used in) operating activities	65,717	(1,432,755)
Cash flows from investing activities:		
Sale of property and equipment	500	1,750
Purchase of property and equipment	(117,447)	(646,379)
Other, net	-	(31,070)
Net cash used in investing activities	(116,947)	(675,699)
Cash flows from financing activities:		
Repayments of long-term debt	(288,493)	(515,576)
Proceeds from issuance of long-term debt	154,559	1,388,595
Proceeds from issuance of common stock	27,250	1,250,000
Proceeds from issuance of preferred stock	60,000	-
Net cash (used in) provided by financing activities	(46,684)	2,123,019
Net (decrease) increase in cash and cash equivalents	(97,914)	14,565
Cash and cash equivalents at beginning of year	119,454	68,547
Cash and cash equivalents at end of quarter	$ 21,540	$ 83,112

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for presentation of interim financial information. They do not include all information and presentation of footnotes required by generally accepted accounting principles for presentation of complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

B. Accounts Payable

Effective February 1, 1992, Westinghouse Electric Corporation began purchasing two of the Company's major solar electric system components. The products represent forty percent of the Company's purchasing requirements. The Company has an open secured line of credit for $1,500,000 with Westinghouse Electric Corporation.

C. Subordinated Convertible Debenture

Effective December 31, 1991, Westinghouse Electric Corporation converted its $625,000 Subordinated Convertible Debenture issued by the Company dated March 28, 1990 and accrued interest on the debenture in the amount of $55,545 into a new Series B Convertible Preferred Stock issuance.

D. Westinghouse Debt/Equity Restructure

Effective December 31, 1991, Westinghouse Electric Corporation acquired 186,109 shares of a new Series B Convertible Preferred Stock for $930,545. Westinghouse Electric Corporation's purchase price was comprised of 200,000 shares of the Company's Common Stock, the Convertible Debenture for $625,000 issued by the Company dated March 28, 1990 and accrued interest on the debenture in the amount of $55,545. The Series B Stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend in kind. The Company has the right to redeem the outstanding Series B Preferred Stock at any time after December 31, 1996 for $5.00 per share.

E. Preferred Stock

Effective March 25, 1992, Robert R. Kauffman acquired 15,000 shares of a new Series A Convertible Preferred Stock for $60,000. The Series A stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend payable in kind. The Company has the right to redeem the outstanding Series A Preferred Stock at any time after August 31, 1996 for $4.00 per share.

F. Seasonal Nature of the Business

Revenues of the Company are generally greater in its third and fourth quarters (March through August) due to seasonal factors.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

This discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this report.

Results of Operations

Three and nine months ended May 31, 1992 vs. three and nine months ended May 31, 1991.

Sales:

Sales for the third quarter ended 1992 and 1991 respectively are $2,575,014 versus $2,514,444. Net sales for the nine months ended increased from $7,581,742 to $7,749,076, a 2% increase. Sales revenue increases for the quarter and for the nine months ending May 31, 1992, can be attributed to sales increases in the Company's Industrial division, with offsetting reductions in the Consumer division. The Company attributes the revenue increases of the Industrial division to successful implementation of a refocused marketing effort in the industrial systems markets, as well as the successful completion of its solar module contract for the Department of Defense. The Company attributed sales declines in the Consumer division to the economic recession and also to the closing of two consumer regional centers in the fourth quarter of fiscal 1991.

Gross Profit:

Gross Profits (sales less cost of sales) have decreased 16% in 1992. Gross Profits were $590,659 or 23% for the third quarter and $1,780,964 or 23% for the nine months ended May 31, 1992 compared to $622,948 or 25% for the quarter and $2,131,422 or 28% for the nine months ended May 31, 1991. The reductions in gross profits for the quarter and nine months ended are a result of increased price pressures created by the economic recession, as well as a significant number of large industrial sales in fiscal 1992, with lower gross profits. The Company anticipates that gross profits will improve slightly in the fourth quarter of the fiscal year due to higher margined industrial system sales and improved economic conditions.

Selling, General and Administrative Expenses (SG&A):

SG&A Expenses in 1992 were $802,695 for the third quarter and $2,346,769 for the nine months ended May 31, 1992 compared to $957,463 and $2,738,384 for the same periods of the prior year. The expense reductions are attributed to the closure of two regional sales centers in the fourth quarter of 1991, reduction of expenses in the lighting division and reduction of expenses in the corporate headquarters. The Company anticipates further reductions in expenses if economic conditions do not improve in the fourth quarter.

Other Income (Expense):

The Company's non-operating income and expenses consist mainly of interest expense, interest income and consulting income.

Interest expense changed to $59,108 for the third quarter and $171,650 for the nine months ended May 31, 1992 compared to $68,195 and $201,049 for the same periods of the prior year. The reduction in the interest expense is attributed to the reduction in debt for the Company in the second quarter of 1992 from the Westinghouse debt and equity restructure.

Interest income changed to $321 for the third quarter and $3,106 for the nine months ended May 31, 1992 compared to $236 and $48,499 for the same periods of the prior year. The significant reduction for the nine months ended May 31, 1992 is attributed to additional interest accrued in the second quarter of 1991 for the Company's Note Receivable which was offset in the second quarter of 1991.

Other Income changed to $31,572 for the quarter and $60,490 for the nine months ended May 31, 1992 compared to $16,563 and $38,185 for the same periods of the prior year.

The increase in 1992 is attributed to $110,000 in consulting and technology transfer sales which the Company has received in the first nine months of 1992, with partially offsetting reductions of $51,000 for litigation charges in the first quarter of 1992.

Net Loss:

The net loss decreased to $239,251 for the quarter and $673,859 for the nine months ended May 31, 1992 compared to $385,911 and $721,327 for the same periods of the prior year. The reduction in losses can be primarily attributed to the Company's reductions in SG&A expenses for the quarter and nine months ended May 31, 1992 of $154,678 and $391,615 respectively, with offsetting reductions in gross profits for the same periods of $32,289 and $350,458.

Liquidity and Capital Resources:

The Company's working capital position has changed to $1,665,591 on May 31, 1992 compared to $2,153,903 on August 31, 1991. The Company's working capital ratio is 1.62 to 1 versus 2.1 to 1 in August of 1991. The change is a result of reductions in current assets of cash and accounts receivables, with offsetting inventory increases, as well as an increase in trade payables.

Cash generated by operations was $65,717 for the nine month period. Cash used for property and equipment additions were $116,947.

Cash provided by financing activities was $241,809 for the nine month period. Cash used by financing activities for the nine month period was $288,493.

In December 1991, the Company sold a new issue of Series B Preferred Stock to Westinghouse Electric Corporation (Westinghouse). The Company sold 186,109 Preferred Shares valued at $5.00 per share. Westinghouse's purchase consideration included exchange of 200,000 common shares of the Company, the cancellation of its Convertible Subordinated Debenture for $625,000, and the cancellation of its accrued interest receivable for $55,545. The effect of the above transaction reduced the long-term debt to equity ratio from 1.39 to 1 to 1.18 to 1.

In January of 1992, the Siemens/Photocomm distribution arbitration matter was ruled on by the American Arbitration Association in Phoenix, Arizona. The arbitrator awarded Siemens Solar Industries a judgment in the amount of approximately $400,000. The Company has paid off the entire amounts owed to Siemens effective April 20, 1992.

In February of 1992, Westinghouse began purchasing two of the Company's major solar electric system components. The products represent forty percent of the Company's purchasing requirements. The Company has an open secured line of credit for $1,500,000 with Westinghouse Electric Corporation.

Effective March 25, 1992, Robert R. Kauffman acquired 15,000 shares of new Series A Convertible Preferred Stock for $60,000. The Series A stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend payable in kind. The Company has the right to redeem the outstanding Series A Preferred Stock at any time after August 31, 1996 for $4.00 per share.

Although no assurances are possible, the Company anticipates that the proceeds from projected revenues from operations and its ability to access additional equity and debt financing sources, including bank lines of credit, will provide adequate funding for the Company's current obligations and projected operations for the next twelve months.

PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits

The following Exhibits are filed as part of this Report:

Exhibit No.	Description	Page or Method of Filing
10V	Convertible Preferred Stock Purchase Agreement dated March 25, 1992 with Robert R. Kauffman	12

(b) Reports on Form 8-K

None filed during quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 14, 1992

PHOTOCOMM, INC.

By: Thomas C. LaVoy
Thomas C. LaVoy
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

EXHIBIT A

CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT

THIS CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT is made as of the 25th day of March, 1992 by and between ROBERT R. KAUFFMAN ("Investor"), and PHOTOCOMM, INC., an Arizona corporation (the "Company").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Preferred Stock

1.1 Sale and Issuance of Preferred Stock

(a) The Board of Directors of the Company has authorized the issuance of a series of the Company's authorized Preferred Stock to be known as Series A Convertible Preferred stock, which series shall have such powers, privileges and rights and shall be subject to such restrictions and limitations as are set forth in Exhibit A attached hereto. Prior to the closing (as herein described) the Company shall file all necessary documents with the Arizona Corporation Commission to fully authorize the issuance of shares of Series A Convertible Preferred Stock. (Hereinafter the Series A Convertible Preferred Stock shall be referred to as the "Preferred Stock").

(b) Subject to the terms and conditions of this Agreement, the Investor agrees to purchase at the Closing and the Company agrees to sell and issue to the Investor at the Closing Fifteen Thousand (15,000) shares of Preferred Stock for the aggregate purchase price of Sixty Thousand and No/100 Dollars ($60,000), or $4.00 per share.

1.2 Closing. The purchase and sale of the Debenture shall take place at the offices of the Company at 7681 E. Gray Road, Scottsdale, AZ 85260 at 10:00 a.m. on March 25, 1992, or at such other time and place as the Company and Investor mutually agree upon, (which time and place are designated as the "Closing"). At the Closing, the Company shall deliver to Investor the Preferred Stock which Investor is purchasing against delivery to the Company by Investor of immediately available funds in the amount of the aggregate purchase price.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to Investor that, except as set forth on a Schedule of Exceptions attached hereto as Exhibit B, specifically identifying the relevant sub-paragraph hereof, or on any other Exhibit attached hereto, which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect on its business or properties.

2.2 Capitalization. The authorized capital of the Company consists, or will consist, immediately prior to the Closing of:

(A) Preferred Stock. 5,000,000 shares of Preferred Stock, zero shares of which are issued and outstanding. 100,000 shares of such stock will have been classified as Series A Convertible Preferred Stock with such rights, powers and privileges as are set forth in Exhibit A attached hereto.

(B) Common Stock. 20,000,000 shares of Common Stock, of which 9,171,205 shares are issued and outstanding.

(C) Except for (i) the respective $625,000 and $750,000 subordinated convertible debentures issued by the Company to Westinghouse Electric Corporation ("Welco"), convertible into 500,000 shares each of the Company's common stock, for a total conversion of 1,000,000 shares, and (ii) options to purchase up to 1,200,000 pursuant to Employee Stock Option Plan, of which 1,035,000 options have been issued, there are no options, warrants, conversion privileges, preemptive rights, or other rights presently outstanding for any of the authorized but unissued stock of the Company. There are no agreements among the major shareholders of the Company concerning the purchase or sale of securities of the Company except (i) the right of first refusal granted to Welco by Investor, granting Welco the right to purchase all of Investor's 1,100,000 shares of common stock in the Company, and (ii) a stock option granted to Welco by Programmed Land, Inc. ("PLI") granting Welco the option to acquire up to 3,875,000 shares of common stock in the Company held by PLI.

2.3 Subsidiaries. All subsidiaries of the Company are duly organized, validly existing, and in good standing under the laws of the state of their incorporation. The subsidiaries have all the requisite corporate power, authority, licenses and permits that are necessary to own, operate and lease its properties, and to carry on its business as now being conducted.

2.4 Authorization. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance and delivery of the Preferred Stock has been taken or will be taken prior to the Closing, and this Agreement constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms.

2.5 Valid Issuance of Securities. The Preferred Stock being issued to the Investor hereunder, when issued, sold and delivered in accordance with the terms hereof for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable. Based in part upon the representations of the Investor in this Agreement, the Preferred Stock will be issued in compliance with all applicable federal and state securities laws. The Common Stock issuable upon conversation of the Preferred Stock has been duly and validly reserved for issuance and upon issuance in accordance with the terms of the Company's Articles of Incorporation, shall be duly and validly issued, fully paid and non-assessable and will be issued in compliance with all applicable federal and state securities laws.

2.6 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement. Based in part upon the representations of the Investor in this Agreement the sale and issuance of the Preferred Stock in conformity with the terms of this Agreement are exempt from the registration requirements of the Securities' Act of 1933 (the "Act"), as amended, and as in effect on the date hereof.

2.7 Litigation. There is no action, suit, proceeding or investigation pending or currently threatened against the Company or any of its subsidiaries that questions the validity of this Agreement or the right of the Company to enter into it, or to consummate the transactions contemplated hereby, or that might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the

Company, nor is the Company aware that there is any basis for any of the foregoing.

2.8 Employee Agreements. Each employee and officer of the Company has executed an Agreement with the Company regarding confidentiality and proprietary information. The Company, after reasonable investigation, is not aware that any of its employees are in violation thereof, and the Company will use its best efforts to prevent any such violation.

2.9 Patents and Trademarks.

(a) The Company and its subsidiaries: (i) have legal and equitable title to, or have by license or other grant, the right to use, free and clear of all liens, claims and restrictions, all proprietary technology or information, letters patent, both domestic and foreign, all registered and unregistered trademarks, tradenames, service marks, certification marks, copyrights, and applications from any and all of the above used in the conduct of both the Company's and its subsidiaries' business as now conducted, or as proposed to be conducted; (ii) does not, to the best of the Company's and its subsidiaries' knowledge, infringe upon the patent, trademark, tradename, service mark, copyright or proprietary information rights of any third party in the conduct of their business as now conducted or as proposed to be conducted; (iii) are not obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner of, licensor of, or other claimant to any letters patent, trademark, tradename, service mark, certification mark, copyright or proprietary technology, or information with respect to the use thereof, or in connection with the conduct of its business or otherwise; (iv) neither the Company nor any of its subsidiaries have licensed or granted any rights to any third parties under its letters patent, trademarks, tradenames, service marks, certification marks, copyrights or proprietary technology or information used in the conduct of its business; (v) neither the Company nor any of its subsidiaries have notice, knowledge or belief that any of the Company's or its subsidiaries' patents, trademarks, tradenames, service marks, certification marks or copyrights are invalid, and all registrations, where filed therefor, are subsisting and are in the name of the company or its subsidiaries; (vi) neither the Company nor its subsidiaries have notice, knowledge or belief that any of the technology or information used in the conduct of their business was illegally obtained.

(b) The Company and its subsidiaries employ procedures in their daily operations to maintain the proprietary nature of, own and have the unrestricted right to use, all trade secrets, including know-how, inventions, designs, processes, computer software and documentation for such software and technical data required for or incident to the development, manufacture, operation and sale of all products and services sold or proposed to be sold by the Company or its subsidiaries, free and clear of any rights, liens or claims of others, including without limitation, all current and former employees, consultants, officers, directors and shareholders of the Company and its subsidiaries.

2.10 Compliance with Other Instruments.

(a) The Company is not in violation or default of any provisions of its Articles of Incorporation or Bylaws or of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound or, to its knowledge, of any provision of federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or any event which results in the creation of any lien, charge or encumbrance upon any assets o the Company.

(b) The Company has avoided every condition, and has not performed any act, the occurrence of which would result in the Company's loss of any right granted under an license, distribution or other

Agreement.

(c) No employee of the Company or any of it subsidiaries is in violation of any term of any employment contract, patent, proprietary information, disclosure agreement, or any other contract or agreement relating to the right of an such employee to be employed by the Company or any of its subsidiaries because of the nature of the business conducted or proposed to be conducted by the Company and its subsidiaries, or for any reason, and the continued employment by the Company and its subsidiaries of their present employees will not result in any such violation.

2.11 Disclosure. The Company has fully provided Investor with all the information which Investor has requested for deciding whether to acquire the Preferred Stock and all information which the Company believes is reasonably necessary to enable Investor to make such decision, including the Company's Annual Report for its fiscal year ending August 31, 1990, and its 10Q reports for the periods ending November 30, 1990 and February 28, 1991 (collectively, the "Financial Reports"). None of the Financial Reports, this Agreement nor any other statements or certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

2.12 Registration Rights. Except as provided in Section 9 of this Agreement and in Article 7 of the Subordinated Convertible Debenture dated March 28, 1990 (the "$625,000 Debenture"), and in Article 7 of the Subordinated Convertible Debenture dated December, 1990 (the "$750,000 Debenture"), both issued to Welco, the Company has not granted or agreed to grant any registration rights, including piggyback rights, to any person or entity.

2.13 Title to Property and Assets. The Company or its subsidiaries own their respective property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens of record which do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

2.14 Tax Return and Payments. The Company and its subsidiaries have filed all federal, state, county, local and foreign tax returns, reports and forms for income, excise, social security, property, payroll and other taxes which are required to be flied by them ("Tax Returns"). The Company and its subsidiaries have paid, or adequate provision has been made on the Financial Statements for the payment of all federal, state, county, local and foreign taxes, assessments, levies or duties, howsoever measured or imposed (collectively the "Taxes") (and related interest and penalties, if any), and shown on such tax returns, and no taxes in addition to those so paid or provided by the Company or its subsidiaries on or after the Closing Date in respect to the period prior to and including the Closing Date. No unexpired waiver of the applicable statute of limitations with respect to any taxable year has been executed by the Company or its subsidiaries. There are not any tax examinations or audits under way involving the Company or any of its subsidiaries.

2.15 Insurance. The Company and its subsidiaries have in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow them to replace any of their properties that might be damaged or destroyed.

2.16 Labor Agreements and Actions. The Company and their subsidiaries are not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the knowledge of the Company, has sought to represent any of the employees, representatives or agents of the Company or any of its subsidiaries. There is no strike or other labor dispute involving the Company or any of its subsidiaries pending, or to the knowledge of the Company threatened, which could have a material adverse effect on the assets, properties, financial condition, operating results, or business of the Company or any of its subsidiaries (as such businesses are presently conducted and as they are proposed to be conducted), nor is the Company aware of any labor organization activity involving its employees or the employees of any of its subsidiaries. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company or any of its subsidiaries, nor does the Company or any of its subsidiaries have a present intention to terminate the employment of any of the foregoing.

2.17 Product Warranty Provisions

There is adequate provision in the Financial Statements for liabilities and obligations for damaged, defective or returned goods, or for replacement of goods, or for allowances with respect to goods sold or services rendered by or on behalf of the Company or its subsidiaries.

2.18 Brokers or Finders; Other Offers. The Company and its subsidiaries have not incurred, and will not incur, directly or indirectly, as a result of any action taken by them, any liability for brokerage or finder's fees or agent's commissions in connection with this Agreement.

2.19 Compliance with Laws

(a) The Company and its subsidiaries are in full compliance with all laws, rules and regulations applicable to or affecting them or the conduct of their business and affairs, and have secured all governmental licenses, permits and approvals necessary to their businesses.

(b) Other than sales tax licensing and corporate approvals to do business, no government licenses, permits or approvals are otherwise required by the Company or its subsidiaries to conduct their business.

3. Representations and Warranties of the Investor. The Investor hereby represents and warrants to the Company that:

3.1 Authorization. This Agreement constitutes his valid and legally binding obligation, enforceable in accordance with its terms.

3.2 Purchase Entirely for Own Account. This Agreement is made with Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of this Agreement such Investor hereby confirms, that the Preferred Stock will be acquired for investment for such Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, except as described herein, and that Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Investor further represents that, except as set forth herein, Investor does not presently have any contract, undertaking, Agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Preferred Stock. Investor represents that he has full power and authority to enter into this Agreement.

3.3 Disclosure of Information. Investor believes that he has received all the information it considers necessary or appropriate for deciding whether to acquire the Preferred Stock. Investor further represents that he has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Preferred Stock. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of Investor to rely thereon.

3.4 Investment Experience. Investor is an investor in securities of companies in the development stage and acknowledges that he is able to fend for himself, can bear the economic risk of his investment and has such knowledge and experience in financial or business matters that he is capable of evaluating the merits and risks of the investment in the Stock.

3.5 Restricted Securities. Investor understands that the shares of Preferred Stock, and the shares of Common Stock issuable upon conversion thereof, are characterized as "restricted securities" under the federal securities laws in as much as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such shares may be resold without registration under the Securities Act of 1933, as amended (the "Act"), only in certain limited circumstances. In this connection, Investor represents that he is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

3.6 Further Limitations on Disposition. Without in any way limiting the representations set forth above, Investor further agrees not to make any disposition of all or any portion of the Preferred Stock unless and until:

(a) There is then in effect a Registration Statement under the Act covering such proposed disposition an such disposition is made in accordance with such Registration Statement; or

(b) (i) Investor shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably requested by the Company, Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act. it is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

3.7 Legends. It is understood that the Preferred Stock, and the shares of Common Stock issuable upon conversion thereof and any securities issued in respect thereof or exchange thereof may bear the following legends.

> "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."

4. Covenants of Company. Company hereby covenants and agrees as follows:

4.1 Maintain Corporate Rights and Facilities. Maintain and preserve its corporate existence and all rights, franchises and other authority adequate for the conduct of its business; maintain its properties, equipment and facilities in good order and repair and conduct its business in an orderly manner without voluntary interruption.

4.2 Maintain Insurance. Maintain liability, property damage and workmen's compensation insurance on all its insurable property against fire and other hazards with responsible insurance carriers to the extent usually maintained by companies in the same business.

4.3 Pay Taxes and Other Liabilities. Pay and discharge before the same become delinquent and before penalties accrue thereon, all taxes, assessments and governmental charges upon or against it or any of its property, and all its other material liabilities at any time existing, except to the extent and so long as: (i) the same are being contested in good faith and by appropriate proceedings in such manner as not to cause any adverse effect upon its financial conditions or the loss of any right of redemption from any sale thereunder; and (ii) it shall have set aside on its books reserves (segregated to the extent require by sound accounting practice) deemed by it adequate with respect thereto; and pay all governmental charges or taxes at any time payable or ruled to be payable in respect of any existing or hereafter enacted federal or state statute, and indemnify and hold harmless against liability in connection with any such charges or taxes.

4.4 Delivery of Financial Statements. If the Company ceases to be subject to the reporting requirement of the 1934 Act, and provided delivery of the reports does not constitute unlawful disclosure of inside information, the Company shall deliver to Investor:

(a) as soon as practicable, but in any even within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company as of the end of such year and a schedule as to the sources and applications of funds for such year such, year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("gaap"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company.

(b) as soon as practicable, but in any event within forth-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement and schedule as to the sources and application of funds for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter in reasonable detail;

(c) within thirty (30) days of the end of each month, an unaudited income statement and schedule as to the sources and application of funds and balance sheet for and as of the end of such month, in reasonable detail;

(d) as soon as practicable, but in any event within thirty (30) days following the start of each fiscal year, a budget and business plan for the such fiscal year, prepared on a monthly basis, including balance sheets and sources and applications of funds statements for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company; and

(e) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as Investor or any assignees of Investor may from time to time request.

5. Conversion and Purchase Rights

5.1 Investor's Right to Convert. Investor shall have the right from and after issuance of the Preferred Stock to him to convert any portion of the Preferred Stock then outstanding into fully-paid and non-assessable shares of "capital stock" of the Company. "Capital Stock" shall mean the common voting stock of the Company. Upon the surrender of all or any portion of the Perferred Stock, accompanied by Investor's written request for conversion, The Company shall issue and deliver to Investor certificates evidencing such shares of Capital Stock as hereinafter set forth. If a portion is converted, the Company shall deliver to the Investor a certificate of the proper number of shares of Capital Stock for the portion so converted.

5.2 Conversion Price. Subject to readjustment as provided in Section 5.3 hereof, the conversion price (hereinafter the "Conversion Price") shall be equal to $1.25 per share, which, assuming full conversion of the Preferred Stock converts into 60,000 shares of Capital Stock.

5.3 Adjustment of Conversion Terms. The Conversion Price and number of shares to be issued upon conversion or purchase determined pursuant to Paragraph 5.2 above shall be subject to adjustments from time to time upon the happening of certain events while this conversion or purchase right remains outstanding, as follows:

(a) Merger, Sale of Assets, Consolidation. If the Company at any time shall consolidate with or merge into or sell or convey all or substantially all of its assets to any other entity, the Preferred Stock shall thereafter evidence the right to be converted into Capital Stock in such number and kind as would have been issuable or distributable on account of such consolidation, merger, sale or conveyance, upon or with respect to the securities subject to the conversion or purchase right immediately prior to such consolidation, merger, sale or conveyance. The foregoing provisions shall similarly apply to successive transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of the Preferred Stock shall apply to such securities of such successor or purchaser after any such consolidation, merger, sale or conveyance.

(b) Reclassification. If the Company at any time shall by subdivision, combination or reclassification of securities or otherwise, change any of the securities then purchasable upon the exercise of the conversion or purchase right contained in the Preferred Stock into the same or a different number of securities of any class or classes, the Preferred Stock shall thereafter evidence the right to purchase such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the conversion or purchase right immediately prior to such subdivision, combination, reclassification or other change. If the shares of Capital Stock are subdivided or combined into a greater or smaller number of shares of Capital Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or proportionately increased in the case of combination of shares, both cases by the ratio which the total number of shares of Capital Stock to be outstanding immediately after such event bears to the total number of shares of Capital Stock outstanding immediately prior to such event.

(c) Share Issuance. If the Company at any time shall issue and sell or otherwise distribute any shares of Capital Stock (other than as provided in sub-paragraph (b) above and except for shares issued pursuant to the outstanding debentures of the Company issued to Welco or certain qualified and non-qualified employee stock options, at a price per share less then the Conversion Price in effect at the time of such issue, or without consideration, then, and thereafter successively upon each such issue, the Conversion Price shall be adjusted as follows: the number of shares of Capital Stock outstanding immediately prior to such issue shall be multiplied by the Conversion Price in effect at the time of such issue, and there shall be added to the product so obtained the aggregate consideration, if any, received by the Company upon such issue of additional shares of Capital Stock. The sum so obtained shall be divided by the number of shares of Capital Stock outstanding immediately after such issue, and the resulting quotient shall be the adjusted Conversion Price. Adjusted Conversion Prices shall in all cases be computed to the nearest even cent. The number of shares of Capital Stock purchasable upon exercise of the conversion feature of the Preferred Stock shall be adjusted as follows: The number of shares originally specified herein shall be multiplied by the Conversion Price originally specified herein, and the resulting product shall be divided by the Adjusted Conversion Price as provided above in this paragraph. The resulting quotient shall be the adjusted number of shares purchasable hereunder, and shall be computed to the nearest 1/100th of one share. For the purposes of this sub-paragraph, the following provisions shall be applicable.

(1) In the case of the issuance of additional shares of Capital Stock for cash, the consideration received by the Company therefor shall be deemed to be the cash proceeds received by the Company for such shares before deducting any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such shares.

(2) In case of the issuance (otherwise than upon conversion or exchange of obligations or shares of stock of the Company of additional shares of Capital Stock for a consideration other than cash or a consideration a part of which shall be other than cash, the amount of the consideration other than cash received by the Company for such shares shall be deemed to be the value of such consideration as determined reasonably and in good faith by the board of directors of the Company.

(3) In case of the issuance by the Company after the date hereof of (a) any security that is convertible into shares of Capital Stock of the Company; (b) any rights or options to purchase Capital Stock of the Company, the Company shall be deemed to have issued the maximum number of shares of Capital Stock into which such convertible security may be converted, and the maximum number of shares of Capital Stock deliverable upon the exercise of such rights or options, for the consideration received by the Company for such convertible security or for such rights or options (plus the amount of any underwriting discount), as the case may be, and before deducting therefrom any expenses or commissions incurred or paid by the Company for any underwriting of, or otherwise in connection with, the issuance of such convertible security or rights or options, plus any consideration or payment to be received by the Company in connection with such conversion. No further adjustments of the Conversion Price shall be made as a result of the actual issuance of the shares of Capital Stock of the Company upon conversion of any convertible security referred in this clause (3) except that on the exercise of the right to convert such convertible security or on termination or expiration of such right, the Conversion Price hereunder will be readjusted to such as would have been obtained had the adjustment made upon the issuance of such convertible security been made on the basis of (i) the number of shares of Capital Stock actually issued upon the conversion of such convertible security; and (ii) the consideration actually received by the Company upon such conversion; provided that no such readjustment shall effect conversions previously made pursuant to this article.

(4) For purposes hereof, any additional shares of Capital Stock issued as a stock dividend shall be deemed to have been issued for no consideration.

(5) The number of shares of Capital Stock at any time outstanding shall exclude all shares then owned or held by or for the account of the Company.

(6) Shares reserved as of the date hereof for issue upon the exercise of outstanding stock options, warrants and rights shall be deemed to be issued at a price per share equal to the conversion price or adjusted Conversion Price in effect at the date of issue.

5.4 Fractional Shares. No fractional shares of Capital Stock will be issued in connection with any conversion or purchase hereunder, but in lieu of such fractional shares, Company shall make a cash payment therefor upon the basis of the Conversion Price then in effect.

5.5 Authorized Shares. The Company covenants that during the period of conversion, the Company will reserve from its authorized and unissued capital stock a sufficient number of shares to provide for the issuance of Capital Stock upon the conversion of the Preferred Stock. The Company agrees that its issuance of the Preferred Stock shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Capital Stock upon the conversion of the Preferred Stock pursuant hereto.

5.6 Method of Conversion. The Preferred Stock may be converted by the Investor in whole or in part by the surrender of Preferred Stock or a portion thereof at the principal offices of the Company.

6. Conditions of Investor's Obligations at Closing. The obligations of Investor under Section 1 of this Agreement are subject to the fulfillment, on or before the Closing, of each of the following conditions:

6.1 Representations and Warranties. The representations and warranties of the Company and its subsidiaries contained in Section 2 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

6.2 Performance. The Company and its subsidiaries shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

6.3 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated a the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor and Investor's counsel, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

6.4 Minimum Investment. The Company shall issue and sell, at the Closing, Preferred Stock with a gross aggregate purchase price of not less than $300,000.00.

7. Conditions of the Company's Obligations at Closing. The obligations of the Company to the Investor under this Agreement are subject to the fulfillment, on or before the Closing, of each of the following conditions by the Investor:

7.1 Representations and Warranties. The representations and warranties of Investor contained in Section 3 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing.

7.2 Payment of Purchase Price. Investor shall have delivered to the Company the purchase price specified in Section 1.2.

7.3 Minimum Investment. The Company shall sell and issue, at the Closing, Preferred Stock with a gross aggregate purchase price of not less than $300,000.00.

8. Registration Rights. The Company covenants and agrees as follows:

8.1 Registration by Company. If at any time the Company proposes to issue Capital Stock pursuant to a registration under the Act, the Company will give prompt written notice to Investor of its intention to effect such a registration and, subject to the limitations of Section 8.3 below, will include in such registration (and related qualification under blue sky laws or other compliance) those shares of Capital Stock for which the Company has received a written request for inclusion within twenty (20) business days after receipt by Investor of the Company's notice. Investor agrees to pay the additional registration expenses allocable to the inclusion of Investor's shares.

8.2 Registration Requested by Investor. In the event that Investor desires to sell all or part of his shares of Capital Stock pursuant to a registration under the Act, then in addition to Investor's rights pursuant to subsection 8.1 above, Investor may request that the Company register under the Act all or part of such shares of Capital Stock. The Company will use its best efforts to effect such a registration of such shares of Capital Stock. Within ten (10) days after receipt of such request, the Company will give written notice of its desire to include in such registration Capital Stock it proposes to issue and sell pursuant to the registration. Subject to the limitations of Section 8.3, such registration will allow for the disposition of Capital Stock requested to be included therein in accordance with the intended methods of disposition described in the request of Investor, and the Company shall use its best efforts to maintain such registration effective for a period ending no earlier than four (4) months after its initial effective date. The sale of

Capital Stock pursuant to such registration may be underwritten by an investment banker and/or underwriter(s) selected by Investor. Investor will reimburse the Company for its out-of-pocket expenses incurred in connection with such registration (not including the costs of time spent by the Company's employees) and will pay all additional expenses of such registration provided that the Company will pay the additional registration expenses allocable to the inclusion of Capital Stock it proposes to register.

8.3 Best Efforts. In the event of a firm commitment or best efforts underwriting on behalf of the Company, if the managing underwriter(s) advise the Company in writing that in their opinion the number of shares of Capital Stock requested to be included in such registration by the Company and Investor exceed the number of shares which can be sold in such underwriting the Company will include in such registration (i) first, the number of shares of Capital Stock being sold by the Company for its own account, and (ii) second, the shares of Stock requested to be included in such registration by Investor. In the event of a firm commitment underwriting on behalf of Investor pursuant to Section 8.2 hereof, if the managing underwriter(s) advise the Company in writing that in their opinion the number of shares of Capital Stock to be included exceeds the number of shares which can be sold in such underwriting, the Company will include in such registration (i) first, the number of shares of Capital Stock that Investor proposes to sell, and (ii) second, the shares of Capital Stock requested to be included by the Company.

8.4 Indemnification. The Company will indemnify Investor and each underwriter of such shares sold by Investor against all claims, losses, damages, liabilities and expenses resulting from any untrue statement or alleged untrue statement of a material fact contained in a prospectus or any related registration statement, notification, filing or the like or from any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been based on information furnished in writing to the Company by Investor or such underwriter expressly for use therein and used in accordance with such writing, and from any omission from such writing or alleged omission therefrom of a material fact needed to be furnished when necessary to make the information furnished not misleading. Investor, by acceptance of the registration provisions provided herein, agrees to furnish to the Company such information concerning Investor as may be requested by the Company which is necessary in connection with any registration pursuant to this Section 8, and to indemnify the Company against all claims, losses, damages, liabilities and expenses resulting from any untrue statement of a material fact or alleged untrue statement of a material fact furnished in writing to the Company by Investor expressly for use in a prospectus or any related registration statement, notification, filing or the like and used in accordance with such writing and from any omission from such writing or alleged omission therefrom of a material fact needed to be furnished or necessary to make the information furnished not misleading.

9. Miscellaneous.

9.1 Survival of Warranties. The warranties, representations and covenants of the Company and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investor or the Company.

9.2 Transfer; Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. This Agreement shall not be assigned by either party without the prior written consent of the other party. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.3 Governing Law. This Agreement shall be governed by and construed under the laws of the

State of Arizona.

9.4 Counterparts. This Agreement may be executed in two or more counterparts of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.6 Finder's Fees. Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction.

9.7 Amendments and Waivers. Any term of this Agreement may be amended and compliance with or performance of any term of this Agreement may be waived with the written consent of the parties hereto.

9.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.9 Entire Agreement. This Agreement constitutes the entire Agreement between parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties hereto are expressly cancelled.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

PHOTOCOMM, INC.,
an Arizona Corporation

By: Tom LaVay

It's C.F.O.

INVESTOR:

Robert R Kauffman
ROBERT R. KAUFFMAN

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 1-6317

SHENANDOAH TELECOMMUNICATIONS COMPANY
(Exact name of registrant as specified in its charter)

Virginia	54-1162807
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

P. O. Box 459, Edinburg, Virginia 22824
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (703) 984-4141

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the close of the period covered by this report.

Class	Outstanding at May 1, 1992
Common Stock, No Par Value	1,880,380 Shares

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SHENANDOAH TELECOMMUNICATIONS COMPANY

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SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARY COMPANIES

PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (UNAUDITED)	December 31, 1991
CURRENT ASSETS		
Cash & cash equivalents	$3,985,657	$2,733,257
Short Term Investments	2,819,073	3,141,456
Accounts Receivable	1,938,641	2,678,424
Leases Receivable (Net)	730,311	730,311
Materials	1,513,866	1,641,576
Prepaid Expenses	234,517	211,959
Total Current Assets	$11,222,065	$11,136,983
NONCURRENT ASSETS		
Marketable Securities	$6,600	$6,600
Investment in Direct Financing Leases	740,315	1,893,232
Other Investments	2,526,099	2,436,703
Total Noncurrent Assets	$3,273,014	$4,336,535
PLANT, PROPERTY AND EQUIPMENT		
Plant in Service	$42,958,094	$41,349,264
Plant Under Construction	880,174	1,486,922
Less Accumulated Depreciation	16,422,108	16,016,064
Net Plant, Property, and Equipment	$27,416,160	$26,820,122
TOTAL ASSETS	$41,911,239	$42,293,640

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
CURRENT LIABILITIES		
Accounts Payable	$808,773	$1,335,843
Advance Billing	358,262	469,448
Customer Deposits	114,299	99,596
Current Maturities of Long-Term Debt	625,634	1,003,956
Income Taxes Payable	524,228	233,314
Other Accrued Taxes	98,237	38,231
Other Current Liabilities	525,131	822,097
Total Current Liabilities	$3,054,564	$4,002,485
LONG TERM DEBT	$7,650,339	$8,029,605
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred Investment Credits	$654,800	$669,947
Deferred Income Taxes	3,997,147	3,997,147
Other	110,859	111,456
Total Other Liabilities and Deferred Credits	$4,762,806	$4,778,550
Minority interest in subsidiaries	$820,216	$762,488
STOCKHOLDERS' EQUITY		
Common Stock, no par, 4,000,000 shares authorized (1,880,380 shares issued and outstanding)	$4,700,950	$4,700,950
Additional Paid-in Capital	39,727	39,727
Retained Earnings	20,882,637	19,979,835
Total Stockholders' Equity	$25,623,314	$24,720,512
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$41,911,239	$42,293,640

See accompanying notes to consolidated financial statements.

SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION
ITEM I, FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three months ended March 31	
	1992	1991
OPERATING REVENUES		
Telephone Revenues		
Local Service	$612,967	$599,376
Access	1,323,118	1,140,275
Toll	17,223	3,167
Miscellaneous:		
Directory	231,734	196,777
Facility Leases	349,950	275,039
Billing & Collection	186,818	170,219
Other Miscellaneous	52,042	32,651
Total Telephone Revenues	2,773,852	2,417,504
Cable Television Revenues	160,542	119,902
ShenTel Service Revenues	242,448	186,060
Leasing Revenues	70,308	112,523
Mobile Revenues	503,264	292,259
Long Distance Revenues	308,625	336,617
Network revenues	72,320	42,460
Total Revenues and Sales	4,131,359	3,507,326
OPERATING EXPENSES		
Cost of Products and Services Sold	163,846	61,179
Line Costs	152,555	123,538
Plant Specific	419,612	395,410
Plant Non-Specific:		
Network & Other	290,641	186,091
Depreciation and Amortization	554,954	587,655
Customer Operations	531,561	443,480
Corporate Operations	411,978	399,087
Other Operating Income & Expense	30,224	18,298
Taxes Other Than Income	56,936	51,048
Total Operating Expenses	2,612,307	2,265,786
Operating Income	1,519,052	1,241,540
Non-Operating Income less Expenses	10,177	82,256
Interest Expense	(160,933)	(196,195)
Income Before Income Taxes	1,368,296	1,127,601
Provision for Income Taxes	492,768	392,577
Net Income Before Minority Interest	875,528	735,024
Minority Interest	27,272	16,121
Net Income	$902,800	$751,145
EARNINGS PER SHARE		
Weighted Average Common Shares Outstanding	1,880,380	1,880,380
Net Income per share	$0.48	$0.40

See accompanying notes to consolidated financial statements

SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION
ITEM I, FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	1992	1991
OPERATING ACTIVITIES:		
Cash received from customers	$4,727,717	$3,552,640
Dividends received	231	2,273
Interest received	72,660	103,177
Cash Received from Operations	4,800,608	3,658,090
Cash paid to suppliers and employees	2,652,555	1,702,155
Interest paid	162,130	274,793
Income taxes paid	217,001	55,000
Cash Disbursed for Operations	3,031,686	2,031,948
Net Cash Provided by Operating Activities	1,768,922	1,626,142
INVESTMENT ACTIVITIES:		
Additions to property, plant, and equipment	(1,296,686)	(591,401)
Cash received from equipment sales	14,914	0
Investment in Direct Financing Leases	(4,029)	(4,386)
Payments Received on Direct Financing Leases	1,156,946	368,248
Sale of short-term investments	450,000	500,000
Purchase of short-term investments	(127,617)	(1,363,950)
Purchase of other investments	(37,462)	(213,899)
Net Cash Provided (Consumed) by Investment Activities	156,066	(1,305,388)
FINANCING ACTIVITIES:		
Investment by minority interest	85,000	0
Principal payments on long-term debt	(757,588)	(232,687)
Net Cash Provided (Consumed) by Financing Activities	(672,588)	(232,687)
Net Increase (Decrease) in Cash	1,252,400	88,067
Cash & Cash Equivalents-Beginning of the Year	2,733,257	1,442,844
Cash & Cash Equivalents-End of the Period	$3,985,657	$1,530,911

See accompanying notes to consolidated financial statements

SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARY COMPANIES

PART I, FINANCIAL INFORMATION
ITEM I, FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

RECONCILIATION OF EARNINGS TO NET CASH FLOW FROM OPERATING ACTIVITIES	THREE MONTHS ENDED MARCH 31	
	1992	1991
Net Income	$902,800	$751,145
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation	554,354	587,655
Amortization of debt issue cost	817	817
Change in deferred ITC	(15,147)	(22,959)
Change in deferred taxes	(597)	(8,598)
Loss on investment in partnerships	18,389	25,943
Minority interest in subsidiary	(27,272)	(16,121)
Gain on sale of leased equipment	0	(7,485)
Decrease (Increase) in:		
Accounts receivable	739,783	(152,752)
Income tax receivable	0	(3,374)
Materials & supplies	127,710	18,436
Reclass from Plant to Inventory	130,780	11,085
Other current assets	(51,391)	10,835
Increase (Decrease) in:		
Accounts payable	(527,070)	73,350
Interest payable	(1,197)	(80,616)
Advance billing and payments	(111,186)	(91,632)
Customer deposits	14,703	46,266
Income taxes payable	290,914	362,146
Other taxes payable	60,006	55,344
Other current liabilities	(295,767)	67,944
Other liabilities & deferrals	(42,307)	(1,287)
Net Cash Provided by Operating Activities	$1,768,322	$1,626,142

See accompanying notes to consolidated financial statements

SHENANDOAH TELECOMMUNICATIONS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly Shenandoah Telecommunications Company's financial position as of March 31, 1992 and the results of its operations for the three months ended March 31, 1992 and 1991, and cash flows for the three months then ended.

   While the Company believes that the disclosures presented are adequate, to make the information not misleading, it is suggested that these condensed financial statements be read in conjunction with the financial statements and notes included in the Company's annual report in Form 10-K.

2. Earnings per share of common stock have been determined by using the weighted average number of shares outstanding during the period.

3. The results of operations for the three-month period ended March 31, 1992, and 1991, are not necessarily indicative of the results to be expected for the full year.

SHENANDOAH TELECOMMUNICATIONS COMPANY
AND SUBSIDIARY COMPANIES

ITEM II, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

The following tables set forth, for the periods indicated, the percentages which certain items reflected in the financial data bear to total operating revenues and the percentage increase of such items as compared to the indicated prior period:

	RELATIONSHIP TO TOTAL OPERATING REVENUES		PERIOD TO PERIOD INCREASE OR DECREASE	
	Three months ended March 31		Three months ended March 31	
	1992	1991	1992-91	1991-90
OPERATING REVENUES				
Telephone Revenues				
Local Service	14.8%	17.1%	2.3%	5.4%
Access	32.0%	32.5%	16.0%	3.5%
Toll	0.4%	0.1%	443.8%	-37.4%
Miscellaneous:				
Directory	5.6%	5.6%	17.8%	14.1%
Facility Leases	8.5%	7.8%	27.2%	7.3%
Billing & Collection	4.5%	4.9%	9.8%	3.8%
Other Miscellaneous	1.3%	0.9%	59.4%	21.2%
Total Telephone Revenues	67.1%	68.9%	14.7%	5.3%
Cable Television Revenues	3.9%	3.4%	33.9%	-16.2%
ShenTel Service Revenues	5.9%	5.3%	30.3%	-16.1%
Leasing Revenues	1.7%	3.2%	-37.5%	-20.8%
Mobile Revenues	12.2%	8.3%	72.2%	1289.0%
Long Distance Revenues	7.5%	9.6%	-8.3%	-10.1%
Network revenue	1.7%	1.3%	70.3%	N/A
	-------	------	--------	-------
Total Revenues and Sales	100.0%	100.0%	17.8%	9.7%
OPERATING EXPENSES				
Cost of Products and Services Sold	4.0%	1.7%	167.8%	-32.1%
Line Costs	3.7%	3.5%	23.5%	-25.9%
Plant Specific	10.2%	11.3%	6.1%	27.1%
Plant Non-Specific:				
Network & Other	7.0%	5.3%	56.2%	56.8%
Depreciation and Amortization	13.4%	16.8%	-5.6%	10.1%
Customer Operations	12.9%	12.6%	19.9%	51.1%
Corporate Operations	10.0%	11.4%	3.2%	18.5%
Other Operating Income & Expense	0.7%	0.5%	65.2%	22.3%
Taxes Other Than Income	1.4%	1.5%	11.5%	27.4%
	-------	------	-------	-------
Total Operating Expenses	63.3%	64.6%	15.3%	18.9%
Operating Income	36.8%	35.4%	22.4%	-3.9%
Non-Operating Income less Expenses	0.2%	2.3%	-87.6%	69.3%
Interest Expense	-3.9%	-5.6%	-18.0%	-10.8%
Income Before Income Taxes	33.1%	32.1%	21.3%	0.6%
Provision for Income Taxes	11.9%	11.2%	25.5%	0.3%
Net Income Before Minority Interest	21.2%	21.0%	19.1%	0.8%
Minority Interest	0.7%	0.5%	0.0%	0.0%
Net Income	21.9%	21.4%	20.2%	3.0%
	=======	======	========	=======

SHENANDOAH TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Shenandoah Telecommunications Company is a diversified telecommunications holding company providing both regulated and unregulated telecommunications services through its seven wholly-owned subsidiaries. Among the services offered by the subsidiaries are:

* Residential and Commercial Telephony
* Long Distance Service
* Cable Television
* Equipment Sales (Telephones, Home Satellite Dishes, etc.)
* Cellular Communications

Many of these services have been added in the last half-decade to take advantage of opportunities presented by the competitive telephony environment and newly emerging technologies.

Unless otherwise noted, 1991 first quarter to 1992 first quarter changes are covered by discussions on year-to-date results.

HIGHLIGHTS

Additional cellular base facilities are now operating in Luray and Front Royal, and in conjunction with roaming agreements, the retail customer base is growing at a steady pace.

RESULTS OF OPERATIONS

On a consolidated basis, for the three months ended March 31, 1992, operating revenues increased 17.8%, operating expenses increased 15.3%, and income taxes increased 25.5% from the same period in 1991. The Telephone Company contributed 99.07% of net income, as compared to 88.16% for the same period in 1991.

SHENANDOAH TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING REVENUES

Telephone Company revenues were $2,773,852 in the first three months of 1992, an increase of 14.7% over the same period of 1991. Access service revenues, the largest revenue category, generated 47.7% of total Telephone Company revenues.

Switched access minutes billed to long distance carriers increased 4.53% compared to the same period of 1991. Carrier common line minutes billed to long distance carriers increased 4.84%. At the same time, messages grew by 8.79%, contributing to an overall increase of 16.0% in access service revenues. Management attributes the rapid growth in messages to 1+800 credit card calls, which typically last ten seconds or less. Local service revenues generated 22.1% of total revenues, and increased 2.3% to $612,967 in the first three months. The Telephone Company's access line annualized growth was 2.28% through March 31. This rate is consistent with historical growth patterns. Under miscellaneous revenue, directory advertising and sales revenues increased 17.8% to $231,734 due to increases in the volume of advertising and in the rates. Facility leases increased 27.2% to $349,950. Billing and Collection (B&C) revenues increased 9.8% to $186,818 due in part to the greater number of messages billed.

The Cable Television Company's revenues increased 33.9% to $160,542. The largest revenue category was basic service revenue, which increased 23.1% to $118,806. Basic service customers increased 2.7% from the end of first quarter last year to the end of the first quarter this year. The fall 1991 service upgrade of additional premium channels and rate increase are primarily responsible for the growth in customers and revenues.

ShenTel Service Company's three month revenues, which are primarily derived from sales and rental of telecommunications equipment, increased 30.3% to $242,448. This increase was largely due to equipment sales increasing 132.7% to $115,172. Equipment rental revenues decreased 5.5% to $117,988.

Shenandoah Valley Leasing Company's revenues decreased 37.5% to $70,308. This decrease resulted primarily from the early payoff of a major lease at the beginning of this year and the decrease in revenues from the one remaining major lease as it moves toward expiration.

Shenandoah Mobile Company's revenues increased 72.2% to $503,264. The major reason for the large increase was the growth in cellular mobile phone operations. The cellular customer base has grown to 1,185 as of March 31. Cellular revenues amounted to $481,189 for the first three months of 1992. This number includes revenues for local service, roamer service, and sales of equipment. Management attributes the increased revenues and customers to continued promotion, additional roaming agreements, and the expanded coverage in Luray and Front Royal. The cellular operation experienced a significant decline in roamer revenues in the last quarter of 1991 due primarily to the advent of competition, but in the first quarter of 1992 the increased customer base began to offset the impact of the competition.

SHENANDOAH TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING REVENUES (Continued)

Shenandoah Long Distance (SLD) Company's revenues decreased 8.3% to $308,625. SLD's minutes of use, for both switched access and carrier common line, decreased by 8.64% and 9.71%, respectively. Migration to the large interexchange carriers is principally responsible for this decrease.

Shenandoah Network Company provides fiber optic facilities in West Virginia and Maryland for the interexchange carriers. The facilities were under construction during 1989 and completed in February 1990. Revenue for the first three months of 1992 was $72,320, an increase of 70.3%. Management expects continued revenue growth, but at a lower rate of increase.

OPERATING EXPENSES

Cost of product sold relates directly to the previous discussion of sales revenues from the Cable Television, ShenTel Service, and Mobile subsidiaries. The increases in equipment sales for the ShenTel and Cable Television subsidiaries resulted in cost of product sold rising 184.0% to $66,719 and 136.1% to $17,135, respectively. For Mobile, cost of product sold rose 165.0% to $79,096.

Line costs are the network costs of Shenandoah Long Distance Company that are paid for use of various local and long distance company facilities, as the Long Distance Company does not own any of its own facilities. These costs increased 23.5% to $152,555. Management believes that negotiations with an alternate carrier may result in reduced line costs by the third quarter of 1992.

Plant specific expenses are primarily costs for maintenance of such items as the central office, cable and wire facilities, buildings, and equipment rented to customers. These expenses increased 6.1% to $419,612. Telephone Company maintenance expenses accounted for 75% of the total, with the largest expenses related to aerial and buried metallic cable, central office equipment, and buildings. The increases were caused by more plant being in service, and increases in payroll costs of maintenance personnel.

Network expenses include the cost of power for equipment, network administration, testing, plant operations administration, and engineering. These costs increased 56.2% to $290,641 primarily due to the new cellular network's cost.

The largest expense category continued to be depreciation and amortization, which accounted for 13.4% and 16.8% of the first three months operating expenses for 1992 and 1991, respectively. This category decreased 5.6% to $554,954 primarily due to the Telephone Company's full depreciation of digital switching software and analog circuit equipment.

SHENANDOAH TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING EXPENSES (Continued)

Customer operations consist of such items as providing call completion services and directory advertising; establishing, servicing, and billing customer accounts; and other items necessary to provide customer service. Customer operations costs increased 19.9% to $531,561. The majority or $59,240 of the $88,081 increase is due to advertising, personnel, and related costs of the cellular start-up, while $19,981 of the increase is due to new operator services.

Corporate operations consist of expenses related to the executive personnel, general and administrative personnel, and Board of Directors, along with legal, auditing, insurance, human resources, and other G&A expenses. These expenses increased 3.2% to $411,978 primarily due to greater salary and pension expenses.

Other operating expense consists of royalty fees for the Cable Television subsidiary. The fees increased 65.2% to $30,224 due to the previously mentioned growth in customers, the addition of new premium channels for the service upgrade, and increases in rates charged by the cable network companies.

Taxes other than income are primarily property taxes of the telephone subsidiary, which increased 11.5% to $56,936 due to a combination of plant additions and increases.

NON-OPERATING INCOME LESS EXPENSES

Non-operating income less expenses consist primarily of interest and dividends on assets held by the Company and the Telephone subsidiary and the Mobile subsidiary's share of its equity investment's net losses. The $10,177 net of non-operating income less expenses is a decrease of 87.6% from the same period in 1991. This is primarily attributed to the general decline of interest rates in investment instruments such as certificates of deposit and money market accounts.

INTEREST EXPENSE

Interest expense decreased 18.0% to $160,933 for the three months due to decreases in remaining principal, especially the prepayment of long-term debt related to Shenandoah Valley Leasing Company's construction of a satellite dish. The Company has received advances from the Rural Electrification Administration (REA) loans (discussed later) with interest rates ranging from 7.2% to 7.71%.

SHENANDOAH TELECOMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PROVISION FOR INCOME TAXES

Income taxes increased 25.5% to $492,768.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the first three months was $1,768,922. Cash received from customers was $4,727,717, while cash paid to suppliers and employees was $2,652,555. Investment activities for the first three months were highlighted by payment for additions to property, plant, and equipment of $1,296,686, the net sale of $322,383 in short-term investments and the purchase of other investments totaling $37,462. Financing activities consisted of principal payments on long-term debt of $757,588 and investment by minority interest of $85,000.

The Company has two $2 million unsecured lines of credit. There were no funds drawn on either line as of March 31, 1992.

The Company's capital structure showed improvement as stockholders' equity increased 3.5% to $25,623,313.

The consolidated ratio of debt to capital[1] improved to 24.4% as of March 31, 1992, from 26.8% as of December 31, 1991. Total long-term debt, inclusive of current maturities, decreased to $8,275,973 as a result of principal payments of $757,588 in the first three months.

The 1992 construction budgets total $6,957,639, with the largest portions of the budgets scheduled for telephone central office equipment, cable facilities, a $1.6 million building project, and a computer system upgrade. The Telephone Company's loan application to the Rural Electrification Administration (REA) was approved in 1990 for $9.24 million, advances to date total $200,350.

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[1] Ratio = Total long-term debt/(total long-term debt + owner's equity)

SHENANDOAH TELECOMMUNICATIONS COMPANY

PART II

OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the security holders.

ITEM 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SHENANDOAH TELECOMMUNICATIONS COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHENANDOAH TELECOMMUNICATIONS COMPANY
(Registrant)

May 14, 1992

Christopher E. French
President

May 14, 1992

Laurence F. Paxton
Vice President - Finance

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SECURITIES AND EXCHANGE COMMIS.
Washington, D.C. 20549

FORM 10-Q

|X| Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 1991 or

|_| Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number 0-7107

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SOUTHERN SCOTTISH INNS, INC.
(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

LOUISIANA	72-0711739
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2875 19th Street, Gulfport, Mississippi	39501
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 601-865-0061

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ________ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date	Class	Outstanding
October 31, 1991	Common Stock	2,301,198 Shares

BEST COPY AVAILABLE

SOUTHERN SCOTTISH INNS, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	September 30 1991 (unaudited)	December 31 1990 (audited)
CURRENT ASSETS:		
Cash - Sav. & Time Deposits	$ 257,988	$ 281,495
Accounts Receivable	503,352	882,366
Mortgages & Notes Receivable	222,069	176,270
Inventory	6,731	16,689
Prepaid Expenses	159,252	78,092
Interest Receivable	209,076	263,847
Total Current Assets	$1,358,468	$ 1,698,759
PROPERTY, PLANT & EQUIPMENT:		
Land and Land Improvements	$1,262,648	$ 712,833
Buildings	3,757,985	5,058,476
Furn. Fixtures & Equip.	876,926	843,855
Leasehold Improvements	77,533	54,533
Total Prop. & Equipment	5,975,092	6,669,697
Less: Accum. Depreciation	(1,134,836)	(1,059,231)
Total Prop. & Equip. (net)	$4,840,256	$ 5,610,466
OTHER ASSETS:		
Mortg. & Notes Receivable	$ 6,372,620	$ 6,694,356
Investments in Undeveloped Land & Building costs	55,638	-0-
Deferred Loan Costs	(6,005)	-0-
Organizational Costs (net)	4,870	18,957
Investment-Partnerships	898,499	51,128
Investment-Securities	1,002,652	963,701
Utility Deposits	4,265	4,265
Trademarks and Tradenames	510,000	510,000
Deferred Int. Receivable	-0-	209,382
Prepaid Expenses	3,439	-0-
Total Other Assets	$ 8,845,978	$ 8,451,789
TOTAL ASSETS	$15,044,702	$15,761,014

SOUTHERN SCOTTISH INNS, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30 1991	December 31, 1990
CURRENT LIABILITIES:		
Accounts Payable	$ 621,728	$ 456,459
Interest Payable	115,063	114,748
Taxes Payable	308,707	430,042
Accrued Liabilities	124,701	146,964
Mortgages & Notes Payable	921,825	573,634
Total current Liabilities	$ 2,092,024	$ 1,721,847
LONG TERM DEBT:		
Mortgages & Notes Payable	$ 3,993,098	$ 4,438,369
DEFERRED CREDITS:		
Deferred Income Taxes	$ 127,162	$ 115,912
Deferred Income	3,368,188	2,027,553
Total Deferred Credits	$ 3,495,350	$ 2,143,465
Total Liabilities & Deferred Credits	$ 9,580,472	$ 8,303,681
STOCKHOLDERS' EQUITY:		
Common Stock - No Par Value Authorized 5,000,000 Shares Issued & Outstanding 2,297,253	$ 5,774,493	$ 5,963,039
Paid-In Capital	42,201	42,201
Retained Earnings	(325,877)	1,186,548
Current Year's Income	(325,901)	
Total	$ 5,164,916	$ 7,191,788
Minority Interest	299,314	265,545
Total Stockholders' Eq.	$ 5,464,230	$ 7,457,333
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$15,044,702	$15,761,014

SOUTHERN SCOTTISH INNS, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	FOR THE NINE MONTHS ENDED September 30, 1991	1990
REVENUES:		
Franchising Division	$ 2,061,529	$2,201,826
Financing Revenues	283,337	984,316
Motel Revenues	532,313	253,488
Food & Beverage Revenues	115,871	140,190
Income From Investments	8,062	141,474
Gain On Sale Of Properties	-0-	(2,950)
Lease Income	152,411	-0-
Total Revenues	$ 3,153,523	$3,718,344
COSTS AND EXPENSES:		
Operating Expense	$ 2,797,364	$3,119,426
Interest Expense	248,134	130,898
Depreciation & Amortization	114,959	75,543
Other Non-Operating Expense	318,967	29,610
Total Costs & Expenses	$ 3,479,424	$3,355,477
NET INCOME (LOSS):	$ (325,901)	$ 362,867

NOTE TO FORM 10 Q

A summary of the registrant's significant accounting policies is set forth in Note 1 to the consolidated financial statements of the registrant and its subsidiaries in the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, filed with the Securities and Exchange Commission, which report should be read in conjunction with this interim report.

In the opinion of management, the accompanying interim financial statements reflect all adjustments which are necessary to a fair statement of the results for the interim periods presented.

Item 6. Exhibits and Reports on Form 8-K.

(a) No exhibits are required to be furnished in accordance with 17 C.F.R. §229.601.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN SCOTTISH INNS, INC.

Date: March 23, 1992

By: ______________________
Jack M. Dubard, Vice President
(Chief Financial Officer)

Date: March 23, 1992

By: ______________________
Vivian E. Dukes
(Principal Accounting Officer)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE S RITIES EXCHANGE ACT OF 1934

For the on period from ____________ to ____________

PROCESSED BY

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Commissio ber 0-19269

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Sun Television and Appliances, Inc.
(Exact name of Registrant as specified in its cl

Delaware	31-1178151
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1583 Alum Creek Drive, Columbus, OH	43209
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (614) 445-8401

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding in each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 1992
Common shares, $.01 par value	6,883,984 shares

This document contains 11 pages of which this is page 1. The exhibit index is on page 9.

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SUN TELEVISION AND APPLIANCES, INC.
TABLE OF CONTENTS

PAGE NO.

Part I. FINANCIAL INFORMATION

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Consolidated Balance Sheet May 31, 1992 and February 29, 1992 4

Consolidated Statement of Cash Flows for the Three Months Ended May 31, 1992 and 1991 5

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Part II. OTHER INFORMATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SUN TELEVISION AND APPLIANCES, INC.
CONSOLIDATED STATEMENT OF INCOME

For the three months ended May 31, 1992 and 1991
(In thousands except per share amounts)
(Unaudited)

	1992	1991
Net sales and service revenues	$ 70,261	$ 50,180
Cost of sales	50,376	35,724
Gross profit	19,885	14,456
Selling, general and administrative	17,620	12,673
Amortization of intangibles	123	127
Income from operations	2,142	1,656
Other income (expenses):		
Interest income	33	87
Interest expense	<161>	<463>
	<128>	<376>
Income before income taxes	2,014	1,280
Income taxes	776	496
Net income	$ 1,238	$ 784
Net income per share	$ .17	$ .15
Weighted average shares outstanding	7,167	5,170

The accompanying notes are an integral part of these consolidated financial statements.

SUN TELEVISION AND APPLIANCES, INC.
CONSOLIDATED BALANCE SHEET
May 31, 1992 and February 29, 1992
(In thousands)

	May 31, 1992 (Unaudited)	February 29, 1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,356	$ 2,927
Trade accounts receivable net of allowance for doubtful accounts of $200 and $200	7,430	8,478
Merchandise inventory	51,264	40,773
Prepaid expenses and other	1,355	1,678
Deferred income taxes	639	409
Total current assets	64,044	54,265
Proceeds receivable from stock offering	—	12,375
Property and equipment, net	26,973	26,340
Deferred income taxes	4,865	4,555
Intangible assets	16,911	17,048
Total assets	$112,793	$114,583
LIABILITIES		
Current liabilities:		
Accounts payable, trade	$ 18,970	$ 14,770
Accrued liabilities	6,213	5,621
Income taxes payable	2,735	3,156
Current portion of deferred revenue	10,093	9,714
Total current liabilities	38,011	33,261
Long-term debt	8,602	16,979
Deferred revenue, non-current	12,419	11,734
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, 500 shares authorized - none issued	—	—
Common stock, $.01 par value, 10,000 shares authorized 6,884 shares issued and outstanding	69	69
Additional paid-in capital	37,928	37,928
Retained earnings	15,764	14,612
Total stockholders' equity	53,761	52,609
Total liabilities and stockholders' equity	$112,793	$114,583

The accompanying notes are an integral part of these consolidated financial statements.

SUN TELEVISION AND APPLIANCES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended May 31, 1992 and 1991
(In thousands)
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net income	$ 1,238	$ 784
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation and amortization:		
Property and equipment	536	435
Goodwill and other intangibles	137	151
Deferred revenue	1,064	583
Deferred income taxes	<540>	<256>
Changes in items affecting operations:		
Trade accounts receivable	1,048	<515>
Merchandise inventory	<10,491>	<12,430>
Prepaid expenses and other	323	—
Accounts payable, trade	4,200	7,893
Accrued liabilities	592	<420>
Income taxes payable	<421>	< 18>
	<4,749>	<5,490>
Net cash (used) by operating activities	<2,314>	<3,793>
Cash flows from financing activities:		
Bank credit line borrowings	4,000	2,000
Reduction of long-term debt	<12,377>	<7,000>
Public stock offering	12,375	—
Dividends on common stock	<86>	—
Net cash provided (used) by financing activities	3,912	<5,000>
Cash flows from investing activities:		
Additions to property and equipment, net of disposals	<1,169>	<565>
Net cash (used) in investing activities	<1,169>	<565>
Increase (decrease) in cash and cash equivalents	429	<9,358>
Cash and cash equivalents, beginning of year	2,927	10,034
Cash and cash equivalents, end of period	$ 3,356	$ 676
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 111	$ 1,069
Income taxes	$ 2,145	$ 932

The accompanying notes are an integral part of these consolidated financial statements.

SUN TELEVISION AND APPLIANCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The consolidated financial statements as of May 31, 1992 and 1991 include the accounts of Sun Television and Appliances, Inc. (the "Company") and its wholly-owned subsidiary, are unaudited, and are presented pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Notes to the Consolidated Financial Statements which are contained in the Company's 1992 Annual Report should be read in conjunction with these Consolidated Financial Statements. In the opinion of management, the accompanying unaudited financial statements reflect all adjustments necessary (which are of a normal recurring nature) to present fairly the financial position, results of operations and cash flows for the interim periods presented, but are not necessarily indicative of the results of operations for a full fiscal year.

2. Stockholders' Equity

On May 2, 1991 the Company effected a stock split of 31.25-for-1 which has been treated retroactively for all periods presented by adjusting the balances of common stock and paid-in capital and adjusting the number of shares issued and authorized.

During the year ended February 29, 1992 the Company issued 1,854,300 shares of common stock in two public offerings, the first for 1,104,300 shares at a price of $10 per share and the second for 750,000 shares at a price of $17.50 per share. The net proceeds to the Company, after underwriting discount and expenses payable by the Company, were used to repay a substantial portion of long-term debt.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION AND FINANCIAL CONDITION

RESULTS OF OPERATION

The Company recorded net income of $1,238,000 or $.17 per share for the first quarter ended May 31, 1992 compared to $784,000 or $.15 per share for the similar period last year. The increase is attributable to substantially higher sales volume, slightly improved selling, general and administrative expenses as a percent to sales and lower interest expense, partially offset by higher cost of merchandise as a percent to sales.

Net Sales and Service Revenues

Net sales and service revenues for the quarter ended May 31, 1992 were $70,261,000 an increase of $20,081,000 or 40% over the $50,180,000 for the comparable quarter of last year. The increase is attributable to sales from seven new stores (a net increase of five) opened during the latter half of fiscal 1992, plus a comparable store sales increase of 3.8%. Sales of air conditioners were adversely affected this quarter versus the comparable quarter due to the cool weather experienced this quarter as compared to the unseasonably warm May last year in the Company's market areas. This was offset by increased sales of computers due to expanded product lines carried by the Company as well as increased emphasis on the category.

Gross Profit

Gross profit of $19,885,000 (28.3% of sales) for the first quarter of this year represents an increase of $5,429,000 or 37.6% over last year's first quarter amount of $14,456,000 (28.8% of sales). The decrease, as a percentage of sales, of gross profit versus last year was due to lower gross margin on air conditioner sales, lower than Company average gross margin on the increased computer sales, an uncertain retail environment and a slight decrease of sales of extended service contracts as a percentage of total volume.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $17,620,000 for the quarter ended May 31, 1992 versus $12,673,000 for the comparable quarter last year, an increase of $4,947,000 or 39.0%. As a percent to sales, selling, general and administrative was 25.1% versus 25.3% last year. The decrease was primarily attributable to reductions in payroll costs, reflecting efficiencies associated with an increased store base, offset by increased utilization of outside warehousing and merchandise repair services.

Interest Expense

Interest expense for the first quarter declined substantially from the comparable quarter last year due to significantly lower average borrowing needs, as well as a decline in average interest rates. The reduction in borrowing requirements is attributable to the utilization of the proceeds from the two public offerings to pay down debt.

Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate.

FINANCIAL CONDITION

The Company's financial condition continues to be strong with long-term debt having been reduced with the proceeds from the most recent public offering. The current ratio at the end of the first quarter is 1.68 as compared to 1.63 at the end of fiscal 1992. The debt-to-equity ratio of .16 at May 31, 1992 compares favorably to .32 at the end of fiscal 1992.

The Company expects to open one new store during the second quarter of this year and three to five stores during the third quarter. The Company intends to fund the capital requirements relating to the new stores through its cash flows from operations and borrowings available under its credit facilities.

PART II. - OTHER INFORMATION

In accordance with the instruction to Part II, the other specified items in this part have been omitted because they are not applicable or the information has been previously reported.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11. Computation of Earnings per Share — Page 11

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN TELEVISION AND APPLIANCES, INC.
(Registrant)

By /s/ Robert E. Oyster
Robert E. Oyster, President and Treasurer
(Chief Financial Officer) *

Date: July 10, 1992

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* Mr. Oyster is the principal financial officer and has been duly authorized to sign on behalf of the Registrant.

EXHIBIT 11

SUN TELEVISION AND APPLIANCES, INC.
COMPUTATION OF NET INCOME PER COMMON SHARE

(In thousands except per share amounts)
(Unaudited)

	Three Months Ended May 31,	
	1992	1991
Net income	$ 1,238	$ 784
Common shares outstanding:		
Weighted average	6,884	5,000
Dilutive effect of stock options	283	170
Weighted average shares used to calculate net income per share	7,167	5,170
Net income per share	$ .17	$ .15

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period from **April 1, 1992 to June 30, 1992**

Commission File No. **0-3978**

UNICO AMERICAN CORPORATION

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**95-2583928** (I.R.S. Employee Identification No.)
23251 Mulholland Drive Woodland Hills, California (Address of Principal Executive Offices)	**91364** (Zip Code)

(818) 591-9800
Registrant's telephone number

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By
Q-Data
Corporation
St. Petersburg, FL

Securities registered pursuant to Section 12(b) of the Act:
None
(Title of each class)

Securities registered pursuant to section 12(g) of the Act:
Common Stock, No Par Value
(Title of Class)

No Change
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_X_ No___

5,802,109
Number of shares of common stock outstanding as of July 31, 1992

FINANCIAL STATEMENTS

PART 1
FINANCIAL INFORMATION

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	June 30, 1992 (Unaudited)	March 31, 1992
ASSETS		
Investments (Note 2)		
Fixed maturities, at amortized cost (market value $36,936,220 at June 30, 1992 and $38,404,358 at March 31, 1992)	$34,648,128	$36,695,440
Equity securities, at market (cost $4,212,180 at June 30, 1992 and $7,114,476 at March 31, 1992)	4,157,349	6,848,318
Short term investments, at cost	15,740,983	6,879,035
Cash (Note 2)	345,296	165,518
Due from related parties	109,250	109,250
Accrued investment income	981,690	1,439,913
Accounts and notes receivable, net	5,105,675	4,466,418
Reinsurance recoverable	1,042,822	6,407
Deferred policy acquisition costs	3,088,892	2,991,870
Property and equipment (net of accumulated depreciation)	363,924	397,662
Federal income tax recoverable	4,286,643	-
Other assets	1,295,973	1,147,620
Total Assets	$71,166,625	$61,147,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Reserve for unpaid losses	$34,400,657	$21,249,902
Unearned premium reserve	8,636,203	8,285,738
Advance premiums	1,791,378	1,818,692
Funds held as security for performance (Note 3)	929,012	985,016
Income taxes payable	-	681,270
Deferred income taxes payable (Note 4)	117,673	117,673
Accrued expenses and other liabilities	2,886,055	2,725,149
Notes payable - short term	3,045,001	1
Notes payable - long term	1,000,000	-
Note payable to related party	500,000	-
Dividend payable	348,127	-
Total Liabilities	$53,654,106	$35,863,441
STOCKHOLDERS' EQUITY		
Common stock, no par - authorized 10,000,000 shares, issued and outstanding shares 5,802,109 at June 30, 1992, and 5,514,109 at March 31, 1992	2,299,801	1,299,801
Net unrealized investment losses	<36,188>	<175,665>
Retained earnings	15,248,906	24,159,874
Total Stockholders' Equity	17,512,519	25,284,010
Total Liabilities and Stockholders' Equity	$71,166,625	$61,147,451

See notes to consolidated financial statements.

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
(UNAUDITED)
FOR THE THREE MONTHS ENDED

	June 30, 1992	June 30, 1991
REVENUES		
Insurance Company Revenues		
Premium earned	$5,323,837	$4,709,665
Less: Premium ceded (net of provisional adjustment)	1,626,652	953,512
Net premium earned	3,697,185	3,756,153
Investment income	864,700	884,458
Other income	335,167	234,166
Total insurance company revenue	4,897,052	4,874,777
Non-Insurance Company Revenues		
Gross commissions and fees	1,391,205	1,619,230
Investment income	52,507	94,486
Finance charges and late fees earned	171,302	174,959
Other income	2,097	3,932
Total Revenues	6,514,163	6,767,384
COSTS and EXPENSES		
Loss & loss adjustment expenses (Note 8)	16,053,469	1,801,627
Policy acquisition costs	1,487,678	1,282,031
Salaries and employee benefits	1,015,144	1,006,261
Commissions to agents/brokers	270,235	292,779
Other operating expenses	739,844	677,249
Total Costs and Expenses	19,566,370	5,059,947
Income <Loss> Before Taxes	<13,052,207>	1,707,437
Income Tax Provision <Benefit>	<4,489,366>	554,528
Net Income <Loss>	<8,562,841>	1,152,909
Retained Earnings April 1,	24,159,874	19,425,072
Dividend declared	<348,127>	<274,343>
Retained Earnings June 30,	$15,248,906	$20,303,638
PER SHARE DATA (based on weighted average shares outstanding)		
Weighted average common and common equivalent shares outstanding:	5,577,840	5,493,412
Earnings <Loss> Per Share:	<$1.53>	$0.21

See notes to consolidated financial statements.

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE THREE MONTHS ENDED

	June 30, 1992	June 30, 1991
Net Income <Loss>	$<8,562,841>	$1,152,909
Charges <credits> to reconcile net income <loss> to net cash from operations		
Depreciation & amortization	48,201	49,725
Due to related party	500,000	-
Bond amortization, net	47,312	14,654
Accrued investment income	458,223	245,846
Accounts receivable	<639,257>	<915,477>
Deferred policy acquisition costs	<97,022>	<225,523>
Federal income tax recoverable	<4,286,643>	-
Other assets	<1,256,616>	173,472
Reserve for unpaid loss & loss adjusting expenses	13,150,755	<815,049>
Unearned premium reserve	350,465	507,739
Premiums received in advance	<27,314>	<77,409>
Funds held as security for performance	<56,004>	<93,486>
Income taxes payable	<681,270>	84,527
Accrued expenses & other liabilities	160,904	<70,338>
Net cash provided from operations	<891,107>	31,590
Investing Activities		
Purchase of fixed maturities	-	<1,023,710>
Proceeds from maturity of fixed maturities	2,000,000	1,000,000
Purchase of equity securities at cost	<65,854>	-
Proceeds from sale of equity securities	2,968,150	-
Net <increase> decrease in short term investments	<8,861,948>	1,416,877
Additions to property & equipment	< 14,463>	< 49,239>
Net cash <provided> by investing activities	<3,974,115>	1,343,928
Financing Activities		
Proceeds from issuance of common stock	1,000,000	-
Proceeds from notes payable	4,045,000	-
Repayment of notes payable	-	<1,375,000>
Net cash provided <used>by financing activities	5,045,000	<1,375,000>
Net increase in cash	179,778	518
Cash at beginning of quarter	165,518	374,571
Cash at end of quarter	$345,296	$375,089
Supplemental cash flow information		
Cash paid during the quarter for:		
Interest	$11,864	$30,714
Income taxes	$730,000	$385,000

See notes to consolidated financial statements.

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Unico American Corporation is referred to herein as the "Company" or "Unico" and such references include both the corporation and its wholly owned subsidiaries unless otherwise indicated. Unico was incorporated under the laws of Nevada in 1969. Unico American Corporation is an insurance holding company which provides property, casualty, health and life insurance and related premium financing through its wholly owned subsidiaries.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) which differ in some respects from those followed in reports to insurance regulatory authorities.

Investments

Investments in bonds with fixed maturities are carried at amortized cost. It is management's intention to hold these investments to maturity. Short term investments are carried at cost which approximates market value. Investments in equity securities are carried at market. Unrealized investment gains and losses on equity securities, to the extent that there is no permanent impairment of value, are credited or charged directly to shareholders' equity, net of any tax effect. Realized gains and losses are included in the consolidated statements of income based upon the specific identification method.

Depreciation and Amortization

Generally, all fixed assets are depreciated using accelerated depreciation methods. Maintenance and repairs and expenditures for renewals and betterments, not expected to extend the useful lives or to increase materially the productivity of the fixed assets to which they are applied, are charged to income as incurred. Other renewals and betterments are capitalized.

Income Taxes

The provision for federal income taxes is computed on the basis of income as reported for financial reporting purposes under generally accepted accounting principles. Deferred income taxes arise principally from certain revenues and expenses which are recognized for income tax purposes in different periods than for financial statements.

NOTE 2 - RESTRICTED FUNDS

As required by law, the Company segregates from its operating accounts premiums collected from insureds into separate trust accounts. As of June 30, 1992 these trust funds represent $1,876,740 of the Company's cash and short term investments. In addition, $725,000 of the Company's short term investments represent statutory deposits of Crusader which are assigned to and held by the California State Treasurer and the Insurance Commissioner of the State of Nevada. These deposits are required for Crusader to write certain lines of business in California and for its admission in states other than California.

NOTE 3 - FUNDS HELD AS SECURITY

Funds held as security for performance represent funds received in order to guarantee the contractual obligations entered into with customers.

NOTE 4 - DEFERRED INCOME TAXES

Deferred income tax represents the tax effect of timing differences in the recognition of revenues and expenses for financial reporting and income tax purposes.

NOTE 5 - STATUTORY CAPITAL AND SURPLUS

As of June 30, 1992 the insurance company statutory capital and surplus was deemed sufficient to support its present insurance premium writings.

NOTE 6 - INCENTIVE STOCK OPTION PLAN

The Company's 1985 stock option plan provides for the grant of "incentive stock options" to officers and key employees. The plan covers an aggregate of 1,500,000 shares of the Company's common stock (subject to adjustment in the case of stock splits, reverse stock splits, stock dividends, etc.). As of June 30, 1992, 619,836 options were outstanding, of which 305,258 were currently exercisable. During the quarter ended June 30, 1992, no options were exercised. On May 15, 1992, the Company canceled 519,836 outstanding stock options and reissued them to the same recipients in the same amounts as previously issued based on the May 15, 1992 market value of $3.50 per share. As of June 30, 1992, there were 70,164 options available for future grant under the 1985 plan.

NOTE 7 - CLAIMS AND LITIGATION

The Company, by virtue of the nature of the business conducted by it, becomes involved in numerous legal proceedings in which it may be named as either plaintiff or defendant. The Company is required to resort to legal proceedings from time-to-time in order to enforce collection of premiums and other commissions or fees for the services rendered to customers or to their agents. These routine items of litigation do not materially affect the Company and are handled on a routine basis by the Company through its general counsel.

Likewise, the Company is sometimes named as a cross-defendant in litigation which is principally directed against that insurer who has issued a policy of insurance directly or indirectly through the Company. Incidental actions are sometimes brought by customers or other agents which relate to disputes concerning the issuance or non-issuance of individual policies. These items are also handled on a routine basis by the Company's general counsel and they do not materially affect the operations of the Company. From time-to-time, the Company is required to request and obtain the intercession of the Company's errors and omissions carrier in connection with the defense of some of these claims.

The Company had filed a lawsuit against its former independent accountants' successor firm alleging that they failed to fulfill their responsibilities regarding the auditing of the Company's common stock. As of the date of this report, the lawsuit is continuing.

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1992

NOTE 8 - RIOT CLAIMS

On April 29, 1992, wide spread looting and fire damage erupted during the civil disturbances in the greater Los Angeles area (the "riot claims") and Crusader was materially affected. Although the claim processing is not complete, Crusader presently estimates that the total cost of these claims will be approximately $20,600,000. After the recovery provided by Crusader's reinsurance of approximately $5,600,000, and federal income tax benefit (including net operating loss carryback) of approximately $5,000,000, the effect of this event on net income in the quarter ended June 30, 1992 is presently estimated to be a net loss of approximately $10,000,000. The effect of this event before federal income tax benefit is approximately $15,000,000 and is included in the loss and loss adjustment expense on the consolidated statement of income.

NOTE 9 - LEASE COMMITMENTS AND CONTINGENCIES

The Company presently occupies a 46,000 square foot building located at 23251 Mulholland Drive, Woodland Hills, California under a masterlease expiring August 1997. The lease provides for an annual gross rental of $1,025,952.

Erwin Cheldin the company's president, chairman and principal stockholder together with his brother Arnold Jack Cheldin are the owners of the building. The terms of the lease at inception were at least as favorable to the company as could have been obtained from unaffiliated third parties.

The Company utilizes for its own operation 100% of the space it leases from its principal stockholders.

NOTE 10

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all necessary adjustments, which consist of normal recurring adjustments, to present fairly the results of operations for the three months ended June 30, 1992 and June 30, 1991.

NOTE 11

The results of operations for the three months ended June 30, 1992 should not be considered as necessarily indicative of the results to be expected for the full year.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Material Uncertainties Under Proposition 103

On November 8, 1988, California voters passed a California initiative, Proposition 103, which makes significant changes to the Property and Casualty insurance business in California. Litigation immediately ensued challenging the constitutionality of the provisions of the initiative. On May 4, 1989, the California State Supreme Court found the provisions of Proposition 103 to be facially constitutional. The court, however, ruled that insurance companies are entitled to a "fair and reasonable return" and that an insurer would be exempt from the rate rollback if it could show in its rate filings that the rollback would produce less than the constitutionally provided "fair return".

The Proposition provides, among other things, that rates for automobile and most other insurance policies issued or renewed between November 8, 1988 and November 8, 1989 be rolled back to the levels of November 8, 1987 and then reduced by an additional 20%. In July 1990, the Commissioner issued regulations to implement the rate rollback provisions of the proposition, and in accordance with these regulations, Crusader supplied data to the insurance department to allow it to compute the level of rollbacks, if any. The Company is still awaiting notification from the insurance department as to the results. In November 1990, John Garamendi was elected the new Insurance Commissioner. In January 1991, he proposed new regulations dealing with the computation of rate rollbacks and rate regulation pursuant to Proposition 103. The proposed regulations intend to replace regulations issued by the prior commissioner. The specific form of the new regulations, relating to rate of return and leverage factors for computing rollbacks, were to be determined in hearings which began February 1991. On August 14, 1991 the Commissioner issued his decision in which he determined a 10% rate of return on statutory surplus for the 1989 calendar year represented a "fair return" during the rollbacks period for all insurance companies writing lines subject to the initiative.

The Department of Insurance implemented the Commissioner's August 14, 1991 decision with the issuance of "Emergency Regulations" containing a rate of return formula based on the Commissioners decision.

In January 1992, the Office of Administration Law ("OAL") rejected the Insurance Commissioner's emergency regulations on Proposition 103 rate rollbacks and the prior approval of rates. The OAL concluded that the imposition of the regulations' generic rate setting model on insurers was not authorized by Proposition 103. The Commissioner appealed the OAL's decision to Governor Pete Wilson. On February 14, 1992 Governor Wilson overruled the OAL. The Governor's written opinion declared that he would not consider any further appeals of OAL's decisions on Proposition 103 regulations.

Because the Governor's February 14th decision only authorized the regulations to be put into effect for one 120-day emergency period, the Department of Insurance had to go back to the OAL for approval to readopt the regulations for another 120 days. On June 8, 1992, the OAL issued the notice of its disapproval of the Department's request.

The OAL'S rejection of the regulations will probably put the Proposition 103 rollback hearings on hold since the regulations are the basis for the rollback orders.

The Insurance Commissioner has continued to impose a freeze on insurance prices for each company until its rollback liability has been determined and all legal challenges to that rollback have been exhausted. This price freeze has not yet been fully tested in the Courts.

As a result of rate reductions made on all but two of its programs by Crusader in November 1987, Crusader has already met the rollback provisions of the Proposition. With respect to two programs in which the rates were not reduced, Crusader has filed a request for exemption from the rollback with the Commissioner.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

If the exemptions are not granted in their entirety by the Commissioner, refund of premiums from Crusader (together with interest thereon at the rate of ten percent), pursuant to the rollback for policies issued or renewed between November 8, 1988 and November 8, 1989, represent a contingent liability of approximately $748,000 (including interest) before income taxes. This contingent liability is deemed material. Although the ultimate outcome of the request for exemptions by Crusader cannot presently be determined, management believes the exemptions will be granted, and therefore, there has been no provision in the accompanying financial statements for any liability or loss which may result from a denial or partial denial of the exemption requests. On August 5, 1991, the California Senate added section 769.2 to the Insurance code prohibiting insurers, who are ordered to make proposition 103 refunds, from requiring agents or brokers to refund commissions on the returned premium. Therefore, the Company's contingent liability calculation does not include any provision for potential return of commissions earned by its managing general agency operations.

(a) Liquidity and Capital Resources:

Due to the nature of the Company's business (insurance and insurance services) and whereas Company growth does not normally require material reinvestment of profits into property or equipment, the cash flow generated from operations usually results in improved liquidity for the Company. However, the cash flow requirements of the Los Angeles riot claims which occurred in April, 1992 (see Note 8) has effected the Company's liquidity.

Crusader generates a significant amount of cash as a result of its holdings of unearned premium reserves, reserves for loss payments and its capital and surplus. Crusader's loss and loss adjustment expense payments are the most significant cash flow requirement of the Company. These payments are continually monitored and projected to insure that the Company has the liquidity to cover these payments without the need to liquidate its investments. As of June 30, 1992, the Company had cash and cash investments of $54,891,756 of which $51,440,225 were investments of Crusader.

Due to declining interest rates and the cash requirement to meet the claim obligation of the Los Angeles riot, the Company has decreased its percentage of Crusader's investment in fixed maturities from its prior target of 85% of invested assets. As of the quarter ended June 30 1992, the Company had invested $34,648,128 (at amortized cost) or 63% of its investments in fixed maturity obligations. The balance of the Company's investments are in shares in high quality mutual funds, U.S. Treasury bills and other high quality short term investments which include bank money market accounts, certificates of deposit, commercial paper, and bankers acceptances.

The Company anticipates that most of the riot claims will be paid and the related reinsurance recoveries received over the period ending March 31, 1993. The negative effects on cash flow of these claim payments will be somewhat offset because as a result of the loss, the Company anticipates no federal income tax due for its fiscal year ending March 31, 1993; and therefore, it does not intend to make any federal income tax estimated payments for that year. To the extent these losses exceed the company's other net income for the fiscal year ending March 31, 1993, it will be entitled to a loss carryback for federal income taxes paid in prior years. This refund will be applied for at the time the Company files its federal income tax return for its fiscal year ending March 31, 1993.

The financial results of this event, which is reflected in the first fiscal quarter ended June 30, 1992, has not affected Crusader's solvency and it has the liquidity to pay these claims. Crusader's statutory capital and surplus as of March 31, 1992 (before the riot loss) was $18,680,413. Unico management has determined that it will attempt to maintain Crusader's capital and surplus as of June 30, 1992 (after the riot loss) at a minimum of $15,000,000. To accomplish this result, in June 1992, Unico contributed to Crusader additional surplus of $5,000,000.

The proceeds of this contribution came from the following sources:

1. Unico's wholly owned subsidiary engaged in insurance premium financing repaid Unico the funds it borrowed to finance insurance premiums and replaced these funds by drawing down on its bank credit line. This provided Unico with approximately $2,000,000.

2. Unico borrowed from Erwin Cheldin, its principal shareholder, president and chief executive officer, $500,000 at 8% for a period of approximately 3 years.

3. Unico obtained $3,000,000 from a sale of 288,000 shares of its common stock for $1,000,000 and a loan of $2,000,000 in a private placement with an unaffiliated entity. The loan is represented by an 8% note, due $1,000,000 in January 1993 and $500,000 in each of January 1994 and January 1995.

As a result of Unico's surplus contributions, Crusader's statutory surplus at June 30, 1992 (after the riot loss) was $15,069,230, thus achieving management's target.

There are no material commitments for capital expenditures as of the date of this report.

The Company believes that its cash and short term investments at the quarter end, net of trust restriction of $1,876,740, statutory deposits of $725,000 and dividend restriction between Crusader and Unico plus the cash to be generated from operations, should be sufficient to meet its operating requirements during the next twelve months, without the necessity of borrowing additional funds.

The Company was not dependent upon dividends from Crusader during the three months ended June 30, 1992. However, the Company intends to service the $2,500,000 Unico debt incurred to increase Crusader's surplus (discussed above) from anticipated Crusader dividends. No other dividends from Crusader are anticipated during the fiscal year ending March 31, 1993. Crusader is restricted in the amount of shareholder dividends which may be paid to Unico within any one year without the approval of the Insurance Department of California.

In June 1992, the Board of Directors, after reevaluating the advisability of the Company declaring a cash dividend in light of the estimated losses arising from the Los Angeles riot, decided to declare a dividend of $0.06 (six cents) per common share payable on August 14, 1992 to shareholders of record at the close of business on July 31, 1992.

(b) Results of Operation:

All comparisons made in this discussion are comparing the quarter ended June 30, 1992 to the quarter ended June 30, 1991. The Company recognized a net loss of $8,562,841 for its quarter ended June 30, 1992 compared to net income of $1,152,909 for the quarter ended June 30, 1991. The pretax loss for the June 1992 quarter was $13,052,207 compared to pretax income of $1,707,437 for the June 1991 quarter. The loss for the quarter ended June 30, 1992 was due principally to the underwriting losses sustained by Crusader Insurance Company resulting from the Los Angeles riot claims (see Note 8).

Insurance company operation

Insurance company underwriting income (net earned premium less loss and loss adjustment expenses and policy acquisition costs) decreased by $14,516,457, primarily as a result of the Los Angeles riot claims.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (continued)

Competition in the California market remains intense, however the Company's premium earned before reinsurance increased $614,172 (13%). This increase was primarily due to increased premium earnings in Crusader's commercial package, commercial liability and commercial property business. Net premium earned after reinsurance decreased $58,968 (2%) primarily as a result of a provisional adjustment of premium ceded on commercial package business due to the Los Angeles riot loss.

Loss and loss adjustment expenses increased $14,251,842 when compared to the June 1991 quarter. The increase is primarily the result of the claims arising from the Los Angeles riot. The Company's current estimate of losses from the riot net of reinsurance is approximately $15,000,000. Loss and loss expenses for claims other than the riot losses decreased approximately $750,000 when compared to the June 1991 quarter. This decrease is primarily due to continued favorable development of losses incurred in prior years.

Policy acquisition costs consist of commissions, premium taxes, inspection fees, and certain other underwriting costs which are directly or indirectly related to the production of Crusader insurance policies. These costs include both Crusader expenses and allocated expenses of other Unico subsidiaries. Policy acquisition costs are deferred and amortized as the related premiums are earned. These costs increased by $205,647 (16%) due to the related increase in Crusader's premium earned.

Investment income decreased by $61,737 (6%) while cash and invested assets increased by $6,933,695. The increase in the cash and invested assets is the result of borrowings the Company made on June 29, 1992 to provide additional surplus to the Company's insurance subsidiary. The decrease in investment income is due to the general decline in short term interest rates in the short term financial markets combined with the increase in short term cash held by the Company (see liquidity and capital resources).

Gross commission and fee revenue decreased $228,025 (14%) when compared to the quarter ended June 30, 1991. This decrease is primarily due to a $144,745 (37%) decrease in commissions and fees from the daily automobile rental program and a $77,403 (8%) decrease in commissions and fees from the health and life program. The daily automobile rental program has been experiencing a decline in new and renewal business due to intense competition and a "soft" insurance market. The company is unable to determine how long these market conditions will continue. The decrease in the health & life program was due to decreasing sales resulting from intense competition. The Company is continuing its efforts to provide more choices to its customers by offering a wider variety of products and expanding its marketing area.

Commission expense to agents/brokers (not including commission on Crusader policies which are reflected in policy acquisition costs) decreased $22,544 (8%). This decrease is related to the decrease in gross commission revenue.

Other operating expenses generally do not change significantly with changes in production. The increase in operating expenses of $62,595 (9%) was primarily due to an increase in legal expenses and a reduction in interest expense (due to reduced bank borrowings during the quarter).

The effect of inflation on net income of the Company during the quarter ended June 30, 1992 and 1991 was not significant.

Other than with respect to the claims arising from the Los Angeles riot, there were no material items or significant elements included in the results of operations which arose from or were not necessarily representative of the Company's ongoing business.

UNICO AMERICAN CORPORATION AND WHOLLY OWNED SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) None

(b) None

UNICO AMERICAN CORPORATION
AND WHOLLY OWNED SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

UNICO AMERICAN CORPORATION

Date: August 12, 1992 By: ERWIN CHELDIN
Erwin Cheldin
Chairman of the Board, President and Chief
Executive Officer, (Principal Executive Officer)

Date: August 12, 1992 By: LESTER A. AARON
Lester A. Aaron
Treasurer, Chief Financial Officer and Director
(Principal Accounting and Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10 - Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission File Number 0-14365

PROCESSED BY
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MAR 20 1992

SYNERCOM TECHNOLOGY, INC.

(Exact name of registrant as specified in its c

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Delaware	76-0079338*
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2500 City West Boulevard, Suite 1100, Houston, Texas	77042
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (713) 954-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.03 par value	5,709,294
Class	Outstanding at January 31, 1992

HIS DOCUMENT CONTAINS 15 PAGES.
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PAGE 14

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SYNERCOM TECHNOLOGY, INC.
FORM 10-Q
JANUARY 31, 1992

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PART I

ITEM 1. FINANCIAL STATEMENTS

SYNERCOM TECHNOLOGY, INC., AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and per Share Data)

	January 31, 1992 (Unaudited)	October 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,748	$ 1,285
Short-term investments	3,892	8,012
Accounts receivable, net	1,858	3,680
Prepaid expenses and inventories	172	247
Total current assets	12,670	13,224
PROPERTY AND EQUIPMENT, at cost	8,516	8,471
Less - Accumulated depreciation and amortization	6,298	6,101
Property and equipment, net	2,218	2,370
SOFTWARE DEVELOPMENT COSTS, net	1,662	1,803
OTHER ASSETS, net	54	292
	$ 16,604	$ 17,689
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable, trade	$ 327	$ 597
Accrued compensation and related benefits	473	868
Other accrued liabilities	659	785
Customer advances	1,465	1,142
Total current liabilities	2,924	3,392
STOCKHOLDERS' EQUITY:		
Preferred stock, $100 par value; shares authorized 180,000	-	-
Common stock, $.03 par value; shares authorized 17,000,000; issued 6,170,543 at January 31, 1992 and October 31, 1991	185	185
Additional paid-in capital	37,707	37,707
Retained earnings (deficit)	(23,603)	(22,986)
Treasury stock, at cost (461,249 common shares at January 31, 1992 and October 31, 1991)	(609)	(609)
	13,680	14,297
	$ 16,604	$ 17,689

The accompanying notes are an integral part of these consolidated financial statements.

SYNERCOM TECHNOLOGY, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Quarters Ended January 31, 1992 and 1991
(Unaudited)
(In Thousands, Except per Share Data)

	1992	1991
REVENUES:		
Product licensing and sales	$1,545	$2,134
Services	1,676	1,679
Total revenues	3,221	3,813
COST OF REVENUES:		
Product licensing and sales	647	460
Services	853	785
Total cost of revenues	1,500	1,245
Gross profit	1,721	2,568
OPERATING EXPENSES:		
Research and development	553	543
Sales and marketing	1,208	1,288
General and administrative	711	664
Total operating expenses	2,472	2,495
INCOME (LOSS) FROM OPERATIONS	(751)	73
INTEREST INCOME, net	134	208
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY CREDIT	(617)	281
PROVISION FOR INCOME TAXES	-	115
INCOME (LOSS) BEFORE EXTRAORDINARY CREDIT	(617)	166
EXTRAORDINARY CREDIT:		
Tax benefit of net operating loss carryforward	-	103
NET INCOME (LOSS)	($617)	$269
NET INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:		
Before extraordinary credit	($0.11)	$0.03
Extraordinary credit	0.00	0.02
Net income (loss)	($0.11)	$0.05
SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE	5,709	5,869

The accompanying notes are an integral
part of these consolidated financial statements.

SYNERCOM TECHNOLOGY, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Quarters Ended January 31, 1992 and 1991
(Unaudited)
(In Thousands)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (617)	$ 269
Adjustments to reconcile net loss to net cash provided (used) by operating activities --		
Depreciation and amortization	484	416
(Increase) decrease in accounts receivable	1,822	(437)
(Increase) decrease in prepaid expenses and inventories	75	(6)
Increase (decrease) in accounts payable	(270)	76
Increase (decrease) in accrued compensation and related benefits	(395)	41
Increase (decrease) in other accrued liabilities	(126)	41
Increase in customer advances	323	570
Total adjustments	1,913	701
Net cash provided by operating activities	1,296	970
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments	(1,962)	(6,766)
Proceeds from sale and maturity of short-term investments	6,082	2,009
Purchase of property and equipment, net	(47)	(15)
Increase in software development costs	(142)	(454)
Decrease in other assets, net	236	-
Net cash provided (used) by investing activities	4,167	(5,226)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to repurchase common stock	-	(333)
Payments on capital lease obligations	-	(20)
Net cash used by financing activities	-	(353)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,463	(4,609)
CASH AND CASH EQUIVALENTS, beginning of year	1,285	5,813
CASH AND CASH EQUIVALENTS, end of period	$ 6,748	$ 1,204

The accompanying notes are an integral
part of these consolidated financial statements.

SYNERCOM TECHNOLOGY, INC., AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization

Synercom Technology, Inc. (Synercom or the Company) provides integrated spatial systems solutions for major commercial and governmental organizations worldwide. Utilities, telecommunications companies and municipal governments manage a multitude of geographically dispersed assets and the activities affecting these assets. Synercom solutions increase the efficiency, accuracy and cost-effectiveness of engineering, constructing and maintaining these assets.

The Company was incorporated in Delaware in 1983 and is a successor to a Texas corporation incorporated in 1969.

(2) Consolidated Financial Statements

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the accompanying interim unaudited consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations and the changes in cash flows of Synercom Technology, Inc., and Subsidiary for interim periods. The results for such interim periods are not necessarily indicative of results for a full year. Certain information in the prior quarter financial statements has been reclassified to conform to current presentation.

Users of financial information produced for interim periods are encouraged to refer to the footnotes contained in the Annual Report to Stockholders when reviewing interim financial results.

(3) Income Taxes

In February of 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes." The Company is required to adopt the new accounting and disclosure rules no later than its fiscal year ending October 31, 1994, although earlier implementation is permitted. The Company has not decided when it will adopt the new standard or whether it will adopt retroactively or through a cumulative catch-up adjustment; however, because the Company has significant net operating loss carryforwards, implementation of Statement No. 109 is not expected to have a material effect on the Company's reported financial position and net income.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

Synercom reported a net loss of $617,000 or $.11 per share on revenues of $3,221,000 for the Company's first quarter ended January 31, 1992. In the first quarter of the prior year, the Company reported net income of $269,000 or $.05 per share on revenues of $3,813,000. Included in net income for the quarter ended January 31, 1991 is an extraordinary credit from tax loss carryforwards which had the effect of increasing net income by $103,000. The decrease in net income this quarter compared to the first quarter of fiscal 1991 is primarily due to a decrease in product licensing and sales revenue, an increase in cost of revenues, and, to a lesser extent, a decrease in interest income.

Total revenues for the quarter ended January 31, 1992 decreased 15.5% compared to the quarter ended January 31, 1991. Product licensing and sales revenue for the first quarter of fiscal 1992 decreased 27.6% compared to the first quarter of the prior fiscal year. The decrease in revenue from product licensing and sales is due to a reduction in the licensing of Synercom software products reflecting fewer large orders in the first quarter of fiscal 1992 compared to the first quarter of fiscal 1991.

At the Company's current revenue levels, financial results can fluctuate from quarter to quarter and period to period as a result of the Company's having a high concentration of large customers and also as a result of the timing of the build-out of customer spatial systems and the amount and product mix of certain orders.The build-out of these spatial systems solutions usually occurs over a two- to five-year period with purchase orders being issued throughout the period at the customer's discretion. Factors affecting the build-out include, but are not limited to, the following: (1) the cost and time required to build the spatial database (which is the conversion of the customer's maps and records into a digital format), (2) customer budgetary constraints and (3) readiness of customer facilities.

Service revenues for the quarter ended January 31, 1992 were at approximately the same level as the quarter ended January 31, 1991. Software support revenue increased 5.2% for the quarter ended January 31, 1992 compared to the quarter ended January 31, 1991. However, this increase was offset by a continued decline in proprietary hardware support revenue as the number of systems under hardware maintenance decreased, as planned. The Company expects software support revenue to provide a growing source of recurring revenues as substantially all of the Company's software customers enter into software maintenance contracts entitling them to periodic updates of their software products and other support services. The Company offers integration services to support the project life cycle - definition, implementation and build-out - of each solution through comprehensive services that may include program management, systems engineering, requirements analysis, feasibility studies, data modeling and network design. In addition, the Company provides custom software development, systems installation, training and product support.

Synercom has been notified by Pacific Bell that it is cancelling support services for software currently maintained by Synercom, effective as of March 12, 1992. At this time, based on such notification and consistent with previous reports by the Company, Synercom does not expect to license additional software products to Pacific Bell pursuant to the master software license agreement.

The Company's overall gross margin for the quarters ended January 31, 1992 and 1991 was 53.4% and 67.3%, respectively. The overall decrease in gross margin for the quarter ended January 31, 1992 compared to the quarter ended January 31, 1991 is primarily attributable to a lower percentage of software licensing revenue of Synercom products to total revenues. The gross margin obtained from Synercom software licensing is substantially higher than the gross margin obtained from integration services and from the sale of other vendors' products.

During the last three fiscal years, the Company has concentrated on enhancing its product line to respond to the market's need for integrated spatial systems solutions that are based on industry standards and that are platform independent. Because the Company has completed some of the major development goals related to the aforementioned, the Company anticipates that future research and development expenditures, inclusive of those costs capitalizable, will be lower in absolute dollars and comparable as a percentage of revenue to other companies in its industry. Consistent therewith, the Company's research and development expenditures (representing the aggregate of amounts expensed and capitalized) decreased 29.8% for the quarter ended January 31, 1992 compared to the same period of the prior year. This decrease is primarily due to a reduction in payroll and related benefits. In accordance with Statement of Financial Accounting Standard No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," capitalized research and development costs were $142,000 and $447,000, respectively, for the quarters ended January 31, 1992 and 1991. Capitalized research and development costs decreased because there were fewer products in the capitalized phase of product development in the first quarter of fiscal 1992 compared to the same period of the previous year.

Sales and marketing expenses decreased 6.2% for the quarter ended January 31, 1992 compared to the quarter ended January 31, 1991. This decrease is primarily due to lower costs resulting from the timing of certain marketing projects.

General and administrative expenses increased 7.1% for the quarter ended January 31, 1992 compared to the same period of fiscal 1991. The increase is primarily due to increased outside professional fees, offset to a degree by a reduction in travel expenses.

Net interest income decreased by 35.6% for the first quarter of fiscal 1992 compared to the first quarter of 1991. The decrease is due to a lower cash investment base and lower interest rates.

No income tax provision was recorded for the quarter ended January 31, 1992 because the Company incurred a net loss. The Company's effective income tax rate for the first quarter of fiscal 1991 was 40.9%. The Company utilized net operating loss carryforwards for financial reporting purposes of $103,000 for the quarter ended January 31, 1991, which had the effect of increasing net income. See Note 3 to Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

On January 31, 1992, cash, cash equivalents and short-term investments totaled $10.6 million, an increase of approximately $1.3 million compared to October 31, 1991. The increase was due primarily to cash being generated by operating activities, including a reduction in accounts receivable. Based upon its present operating plan, the Company believes that its currently available cash, cash equivalents and short-term investments, together with its anticipated future cash flow from operations, should be sufficient to meet its cash requirements for the near-term future.

PART II - OTHER INFORMATION

Item 4. Results of Votes of Security Holders

At its annual meeting of stockholders held March 3, 1992 in Houston, Texas, the stockholders approved an amendment to the Company's 1985 Stock Option Plan increasing the number of shares of common stock issuable thereunder from 1,283,334 to 1,348,334 by a vote of 3,955,920 affirmative, 690,034 against, and 45,964 abstention. There was no solicitation in opposition to the management's nominees for directors and a majority of votes were cast in favor of Donald K. Grierson, Michael L. McGuire, Arthur C. Patterson, David J. Stewart and John S. Watson as directors of the Company. In addition, the designation of Arthur Andersen and Company as independent auditors of the Company for fiscal 1992 was ratified.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11.1 Statement re Computation of Net Income (Loss) Per Share for the quarters ended January 31, 1992 and 1991.

(b) Reports on Form 8-K

There were no reports for Form 8-K filed by the Company during the quarter ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Synercom Technology, Inc.
(Registrant)

Date: March 13, 1992

By: David J Stewart
David J. Stewart, President

Date: March 13, 1992

By: Mark K. Vise
Mark K. Vise,
Vice President - Finance
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Sequentially Numbered Page
11.1	Statement re Computation of Net Income (Loss) Per Share for the quarters ended January 31, 1992 and 1991.	15

EXHIBIT 11.1

SYNERCOM TECHNOLOGY, INC., AND SUBSIDIARY
COMPUTATION OF NET INCOME (LOSS) PER SHARE

For the Quarters Ended January 31, 1992 and 1991

(Unaudited)

(In Thousands, Except per Share Data)

	1992	1991
Shares:		
Weighted average common shares outstanding	5,709	5,869
Net common shares issuable on exercise of stock options	-	-
Weighted average common and common equivalent shares outstanding	5,709	5,869
Income (loss) before extraordinary credit	($617)	$166
Extraordinary credit	-	103
Net income (loss)	($617)	$269
Net income (loss) per common and common equivalent share:		
Before extraordinary credit	($0.11)	$0.03
Extraordinary credit	0.00	0.02
Net income (loss)	($0.11)	$0.05

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

W92-2236

FORM 10-Q

■ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For t uarterly period ended May 29, 1992 or

☐ Trans rt pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the trans. from ______________________ to ______________________

Commission file 0-19524

TECNOL MEDICAL PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**75-1516861**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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JUL 17 1992

7201 INDUSTRIAL PARK BLVD.
FORT WORTH, TEXAS 76180
(Address of principal executive offices)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Registrant's Telephone number, including area code: (817) 581-6424

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

12,933,666 shares common stock, par value $.001, as of June 30, 1992

BEST COPY
AVAILABLE

FORM 10-Q INDEX

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Information

TECNOL MEDICAL PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	Nov. 29, 1991	May 29, 1992 (unaudited)
Current assets:		
Cash and cash equivalents	$24,148,034	$13,379,234
Accounts receivable, net of allowance for doubtful accounts of $41,778 in 1991 and $82,738 in 1992	9,894,448	9,509,526
Interest receivable	80,319	7,595
Raw materials inventory	5,030,341	6,888,016
Work-in-process inventory	183,734	105,279
Finished goods inventory	2,920,829	2,979,891
Total inventories	8,134,904	9,973,186
Prepaid expenses	606,933	984,752
Deferred federal income tax receivable	136,283	181,283
Total current assets	43,000,921	34,035,576
Investment in Anago Incorporated (Note 4)	—	9,096,760
Property, plant and equipment, at cost:		
Land	1,824,183	2,691,861
Buildings	5,327,228	8,124,041
Automotive equipment	1,509,089	1,749,283
Manufacturing equipment	12,998,709	14,816,503
Office furniture and equipment	1,924,348	2,170,416
Construction-in-progress	2,014,325	904,334
	25,597,882	30,456,438
Less accumulated depreciation	8,420,063	9,437,779
Net property, plant and equipment	17,177,819	21,018,659
Other assets:		
Patents and trademarks, net of accumulated amortization of $80,500 in 1991 and $98,515 in 1992	354,873	630,295
Debt issuance costs	165,804	162,350
Deposits	14,800	108,700
Purchased intangible assets (Note 5)	—	3,853,766
Total other assets	535,477	4,755,111
Total assets	$60,714,217	$68,906,106

See accompanying Notes to Condensed Consolidated Financial Statements

TECNOL MEDICAL PRODUCTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Continued)

	Nov. 29, 1991	May 29, 1992 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable – trade	$1,798,350	$2,015,314
Accounts payable – investment in Anago (Note 4)	—	1,469,292
Accrued property taxes payable	318,541	222,696
Accrued bonuses payable	249,744	390,017
Accrued commissions payable	285,016	400,784
Other accrued liabilities	875,227	572,228
Federal income tax payable	455,463	590,577
Current portion of long-term debt	204,366	203,395
Total current liabilities	4,186,707	5,864,303
Long term debt (Note 3)	4,301,319	4,100,000
Deferred federal income tax payable	2,128,479	2,213,479
Total liabilities	10,616,505	12,177,782
Stockholders' equity (Note 2):		
Preferred stock, $.001 par value, 20,000,000 shares authorized, no shares issued	—	—
Common stock, $.001 par value, 50,000,000 shares authorized, 14,016,755 shares issued in 1991 and 14,076,205 shares issued in 1992	14,017	14,076
Additional paid-in capital	22,207,080	23,648,085
Loans to employee stock ownership plan	(226,721)	(226,721)
Retained earnings	31,523,689	36,540,591
	53,518,065	59,976,031
Less treasury stock, at cost: 1,222,515 shares in 1991 and 1,143,539 shares in 1992	3,420,353	3,247,707
Total stockholders' equity	50,097,712	56,728,324
Total liabilities and stockholders' equity	$60,714,217	$68,906,106

See accompanying Notes to Condensed Consolidated Financial Statements

TECNOL MEDICAL PRODUCTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Quarters and Year-to-Date Periods Ended May 31, 1991 and May 29, 1992

	Quarter Ended		Year-To-Date	
	May 31, 1991	May 29, 1992	May 31, 1991	May 29, 1992
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net Sales	$14,279,011	$17,063,640	$26,536,169	$30,642,634
Cost of goods sold	7,024,650	8,211,810	13,383,949	15,006,190
Gross profit	7,254,361	8,851,830	13,152,220	15,636,444
Selling expenses	2,625,624	3,210,877	5,107,377	5,930,713
General and administrative expenses	876,777	1,195,402	1,742,875	2,338,191
Income from operations	3,751,960	4,445,551	6,301,968	7,367,540
Other income (expense):				
Interest income	42,870	143,594	79,560	384,282
Interest expense	(59,952)	(32,001)	(126,067)	(85,291)
Other—net	(816)	(65,555)	(2,088)	(68,293)
Total other income (expense)	(17,898)	46,038	(48,595)	230,698
Income before provision for income taxes	3,734,062	4,491,589	6,253,373	7,598,238
Provision for income taxes:				
Current	1,238,266	1,487,437	2,001,565	2,541,336
Deferred	32,000	40,000	100,000	40,000
	1,270,266	1,527,437	2,101,565	2,581,336
Net income	$2,463,796	$2,964,152	$4,151,808	$5,016,902
Net income per common and common equivalent share (Note 2)	$0.21	$0.23	$0.35	$0.38

See accompanying Notes to Condensed Consolidated Financial Statements

TECNOL MEDICAL PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Year-to-Date Periods Ended May 31, 1991 and May 29, 1992

	Year-to-Date	
	May 31, 1991	May 29, 1992
Cash flows from operating activities:		
Net income	$4,151,808	$5,016,902
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	866,397	1,051,860
Amortization	12,174	161,866
(Gain) loss on sale of property, plant and equipment	261	2,626
Increase in deferred federal income taxes	100,000	40,000
(Increase) decrease in accounts receivable	(2,882,278)	384,922
(Increase) decrease in interest receivable	(13,786)	72,724
Increase in inventories	(1,160,752)	(1,838,282)
Increase in prepaid expenses	(773,837)	(377,819)
Increase in accounts payable	369,319	1,686,256
Decrease (increase) in accrued liabilities	248,720	(142,803)
Increase in federal income tax payable	520,565	135,114
Total adjustments	(2,733,217)	1,176,464
Net cash provided by operating activities	1,418,591	6,193,366
Cash flows from investing activities:		
Investment in Anago Incorporated	-	(7,587,015)
Proceeds from sale of property, plant and equipment	9,000	9,961
Purchase of property, plant and equipment	(1,848,845)	(4,905,287)
(Increase) decrease in other assets	38,355	(4,381,500)
Net cash used in investing activities	(1,801,490)	(16,863,841)
Cash flows from financing activities:		
Net additions to short-term borrowings	100,000	-
Payments on long-term debt	(259,179)	(202,290)
Purchase of treasury stock	-	(58,987)
Net proceeds from issuance of common stock	119,650	162,952
Net cash used in financing activities	(39,529)	(98,325)
Net decrease in cash and cash equivalents	(422,428)	(10,768,800)
Cash and cash equivalents at the beginning of the period	2,473,107	24,148,034
Cash and cash equivalents at the end of the period	$2,050,679	$13,379,234
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$139 032	$119,003
Income taxes	$1,481,000	$2,409,343
Noncash investing and financing activities :		
Exchange of treasury stock for Anago Incorporated common stock	$ -	$1,509,745

See accompanying Notes to Condensed Consolidated Financial Statements

TECNOL MEDICAL PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the quarters and year-to-date periods ended May 31, 1991 and May 29, 1992 are not necessarily indicative of the results that may be expected for the fiscal years ended November 29, 1991 and November 27, 1992, respectively.

The Company's fiscal year is the fifty-two or fifty-three week period ending on the Friday nearest to November 30. The quarter and year-to-date periods include thirteen and twenty-six weeks, respectively.

NOTE 2 -- EARNINGS PER SHARE

The following table reconciles the number of common shares shown as outstanding on the consolidated balance sheet with the number of common and common equivalent shares used in computing primary earnings per share:

	Quarter		Year-to-date	
	May 31, 1991 (unaudited)	May 29, 1992 (unaudited)	May 31, 1991 (unaudited)	May 29, 1992 (unaudited)
Common shares outstanding	11,375,970	12,932,666	11,375,970	12,932,666
Effect of using weighted average common and common equivalent shares outstanding	(27,960)	(3,539)	(38,135)	(66,499)
Effect of assuming exercise of outstanding stock options based on the treasury stock method	438,245	202,105	439,495	209,597
Shares used in computing primary earnings per share	11,786,255	13,131,232	11,777,330	13,075,764

Primary and fully diluted earnings per share are not materially different.

NOTE 2 -- EARNINGS PER SHARE -- Continued

Earnings per common and common equivalent share were computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the periods. Stock options are the only common stock equivalents.

NOTE 3 -- LONG-TERM DEBT

Long-term debt at May 29, 1992 consists of the following:

Industrial Revenue Bonds	$4,300,000
Less current portion	(200,000)
	$4,100,000

NOTE 4 -- INVESTMENT IN ANAGO INCORPORATED

During the first six months of fiscal 1992, the Company acquired from former stockholders of Anago Incorporated ("Anago"), a manufacturer of medical supplies, approximately 42% of Anago's outstanding common stock, all of Anago's outstanding Series A Preferred Stock, and certain related rights. Anago has refused to register the purchased shares in the Company's name which have been submitted for transfer. Also, Anago and its president claim a right to purchase shares previously purchased by Tecnol representing approximately 11% of Anago's outstanding common stock. Through the end of the second quarter, the Company had paid $5,570,935 and had an obligation to pay approximately $1.5 million more in connection with these stock purchases. The Company expects that substantially all of these payments will be made before the end of the third quarter. In addition to the cash payments, the Company paid for a portion of the Anago stock with 82,726 shares of Company treasury stock.

The Company sought to negotiate a merger with Anago. Anago responded unfavorably to the Company's merger proposal and instituted a lawsuit to enjoin the merger. The Company has attempted to obtain representation on Anago's board, under provisions of Anago's preferred stock, but Anago has refused to recognize the appointment of the Company's two nominees. Anago has also refused to recognize the Company's right as preferred shareholder to convert the preferred stock to common stock. If the Company did convert the preferred stock, the Company would own approximately 55% of Anago's common stock.

The Company does not exercise any influence over the operating or financial policies of Anago. Because the Company lacks any influence, management believes that the consolidation of Anago's financial statements or accounting for this investment by the equity method is inappropriate. Therefore, the investment in Anago is being accounted for by the cost method. The Company believes that any difference between the equity method and the cost method would be immaterial. The Company requested second quarter financial information from Anago management, but it was not supplied.

NOTE 5 -- ACQUISITIONS OF PRODUCT LINES

On January 31, 1992, the Company closed the purchase of two product lines for approximately $2.8 million. The principal product line purchased was the Warm 'N Form® line of orthopedic products, the principal portion of which is the Warm 'N Form® line of moldable back supports. This acquisition involved the purchase of inventories, equipment, and certain intangible assets.

On May 29, 1992, the Company closed the purchase of the Filtermask® brand surgical face mask product line for approximately $2.6 million. This acquisition involved the purchase of inventories, equipment and certain intangible assets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This analysis of the Company's operations encompassing the quarters and six month periods ended May 31, 1991 and May 29, 1992, should be considered in conjunction with the condensed consolidated balance sheets, statements of operations, and statements of cash flows.

Results of Operations

Net sales increased 19.5% from $14.3 million in the second quarter of fiscal 1991 to $17.1 million in the second quarter of fiscal 1992. For the six month period, net sales increased 15.5% from $26.5 million in the first six months of fiscal 1991 to $30.6 million in the first six months of fiscal 1992. This growth in net sales resulted from increases in unit sales of existing products, sales from product lines acquired in 1992, and, to a lesser extent, price increases.

The gross profit margin increased from 50.8% in the second quarter of fiscal 1991 to 51.9% in the second quarter of fiscal 1992. For the six month period, gross profit increased from 49.6% in the first six months of fiscal 1991 to 51.0% in the first six months of fiscal 1992. These increases were due to price increases, the effects of manufacturing cost reduction programs, and efficiencies from production volume increases. Direct labor costs as a percentage of net sales declined from 7.0% in the second quarter of fiscal 1991 to 6.0% in the second quarter of fiscal 1992. Manufacturing overhead as a percentage of net sales also declined from 13.5% in the second quarter of fiscal 1991 to 11.3% in the second quarter of fiscal 1992. Costs of material as a percentage of net sales increased from 29.3% in the second quarter of fiscal 1991 to 30.9% in the second quarter of fiscal 1992.

Selling expenses increased 22.3% from $2.6 million in the second quarter of fiscal 1991 to $3.2 million in the second quarter of fiscal 1992. For the six month period, selling expenses increased 16.1% from $5.1 million in the first six months of fiscal 1991 to $5.9 million in the first six months of fiscal 1992. The increase in selling expenses was primarily a result of an increase in the sales force from 56 sales representatives at the beginning of fiscal 1991 to 67 sales representatives at the end of the first six months of fiscal 1992. As a percentage of net sales, selling expenses have increased slightly from 18.4% of net sales in the second quarter of fiscal 1991 (19.3% in the first six months of fiscal 1991) to 18.8% of net sales in the second quarter of fiscal 1992 (19.4% in the first six months of fiscal 1992).

General and administrative expenses increased 36.3% from approximately $877,000 in the second quarter of fiscal 1991 to $1.2 million in the second quarter of fiscal 1992. For the six month period, general and administrative expenses increased from $1.7 million in the first six months of fiscal 1991 to $2.3 million in the first six months of fiscal 1992. These expenses increased as a percentage of net sales from 6.1% in the second quarter of fiscal 1991 (6.6% in the first six months of fiscal 1991) to 7.0% in the second quarter of fiscal 1992 (7.6% in the first six months of fiscal 1992). General and administrative expenses include research and development expenses that increased by 18.3% from $213,000 in the second quarter of fiscal 1991 to $252,000 in the second quarter of fiscal 1992. Included in general and administrative expenses for the first time in 1992 is amortization expense of certain intangible assets purchased in connection with the acquisition of the Warm 'N Form® line of orthopedic products. Amortization expense in the second quarter of fiscal 1992 was $53,665, and $71,553 for the first six months of fiscal 1992. The balance of the increase in general and administrative expenses from 1991 to 1992 resulted from the general growth of the Company, additions to and changes in the responsibilities of the executive staff, and additional costs associated with being a public company.

Income from operations increased 18.5% from $3.8 million in the second quarter of fiscal 1991 to $4.5 million in the second quarter of fiscal 1992. For the six month period, income from operations increased 16.9% from $6.3 million in the first six months of 1991 to $7.6 million in the first six months of 1992. Operating margin decreased slightly from 26.3% in the second quarter of fiscal 1991 to 26.1% in the second quarter of fiscal 1992. For the six month period operating margin has increased from 23.7% in the first six months of fiscal 1991 to 24.0% in the first six months of fiscal 1992.

Other income (expense) represented income of approximately $46,000 in the second quarter of fiscal 1992 (approximately $231,000 in the first six months of fiscal 1992), compared to expense of approximately $18,000 in the second quarter of fiscal 1991 (approximately $49,000 in the first six months of fiscal 1991). These changes resulted from lower interest expense due to declining debt balances and declining interest rates, and from increases in interest income because of larger investments, primarily from the proceeds of the initial public offering. Included in other income (expense) in the second quarter of fiscal 1992 is amortization expense of certain purchased intangible assets. This amortization expense was $73,729 for the second quarter and the first six months of fiscal 1992.

Net income increased 20.3% in the second quarter of fiscal 1992 over the corresponding period in fiscal 1991, from $2.5 million to $3.0 million, as a result of the foregoing factors. For the six month period, net income increased 20.8%, from $4.2 million in the first six months of fiscal 1991 to $5.0 million for the first six months of fiscal 1992. Net income per share increased from $0.21 in the second quarter of fiscal 1991 ($0.35 in the first six months of fiscal 1991) to $0.23 in the second quarter of fiscal 1992 ($0.38 in the first six months of fiscal 1992). The increase in earnings per share was limited because the weighted average number of common and common equivalent shares increased by approximately 11%, primarily due to the initial public offering in October 1991. The Company estimates that earnings per share will be diluted by approximately 10% in the first three quarters of fiscal 1992 as compared to fiscal 1991 as a result of additional shares issued in the initial public offering.

Liquidity and Capital Resources

In October 1991, the Company received approximately $18.7 million (net of underwriting discounts, commissions, and expenses) in proceeds from the public sale of 1,265,000 shares of its common stock. The Company believes that the net proceeds from its initial public offering and cash flow from operations will be sufficient to meet working capital requirements and capital expenditures for the foreseeable future. The Company also believes these sources will enable it to acquire product lines or businesses related to the Company's business if appropriate opportunities arise.

The Company's working capital decreased from $38.8 million at the end of fiscal 1991 to $28.2 million at May 29, 1992. The decrease in working capital is primarily because of a decrease in cash and cash equivalents resulting from the use of the proceeds of the initial public offering for the following purposes:

1. On January 31, 1992, the Company closed the purchase of two product lines for approximately $2.8 million. See Note 5 of Notes to Consolidated Interim Financial Statements for further discussion.

2. On February 10, 1992, the Company purchased a 130,000-square foot building on 18 acres of land for approximately $2.4 million to be used for additional manufacturing, warehouse, and office space. The Company expects to invest approximately $600,000 during 1992 to renovate this building. The Company plans to consolidate the sales, management, product development, manufacturing, and warehouse operations of its orthopedic division in this facility.

3. During the first six months of fiscal 1992, the Company acquired an investment in Anago Incorporated, a manufacturer of medical supplies. See Note 4 of Notes to Condensed Consolidated Interim Financial Statements for further discussion of this investment.

4. On May 29, 1992, the Company closed the purchase of a surgical face mask product line for approximately $2.6 million. See Note 5 of Notes to Consolidated Interim Financial Statements for further discussion.

Inventories have increased from $8.1 million at the end of fiscal 1991 to $10 million at May 29, 1992. Approximately $1.0 million of the increase in inventories is the result of the acquisition of the Warm 'N Form® and Filtermask® product lines as discussed in Note 5 of Notes to Consolidated Interim Financial Statements. The remaining increase in inventories is due to the continued growth of the Company's product lines and the increase in certain key raw materials in order to meet increased production levels.

The Company incurred approximately $4.9 million in capital expenditures during the first six months of 1992, consisting of approximately $2.4 million for the 130,000 - square foot building on 18 acres of land and approximately $2.5 million for new manufacturing equipment, building expansion and remodeling, and miscellaneous items.

PART II - OTHER INFORMATION

Item 1. **Legal Proceedings.**

On March 4, 1992, the Company filed suit against Anago Incorporated ("Anago") in the State District Court of Dallas County, Texas, A-14th Judicial District, Cause No. 92-3056. The suit was brought in the Company's capacity as assignee of stock and claims held by former preferred shareholders of Anago. The suit asserts breach of contract and warranty, state securities law violations, violation of Section 27.01 of the Texas Business and Commerce Code, common law fraud, negligence, and gross negligence, and seeks recovery of actual damages in excess of the jurisdictional limit of the court, punitive damages, attorneys' fees, prejudgment and postjudgment interest, and costs. The suit alleges that Anago sold the preferred stock to the original preferred holders pursuant to misrepresentations concerning Anago's financial condition in that the true value of the 533,334 shares of preferred stock purchased for $7.50 per share was actually $5.00 per share or less.

Item 6. **Exhibits and Reports on Form 8-K.**

(a) Exhibits - None

(b) A Report on Form 8-K was filed on March 12, 1992 reporting the commencement of a tender offer to purchase up to 200,000 shares of the common stock, $0.01 par value, of Anago.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tecnol Medical Products, Inc.
(Registrant)

Date: July 10, 1992

David Radunsky
David Radunsky, *Chief Operating Officer*

Jeffrey A. Nick
Jeffrey A. Nick, *Controller*
(Principal Accounting Officer)

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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(Mark One)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 1, 1992

Y92-2236

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ TO __________

Commission file number 0-12622

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TELCO SYSTEMS, INC DE
(Exact name of registrant as specified in its charter)

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Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction incorporation or organization)

L3Q

identification no.)

63 NAHATAN STREET, NORWOOD, MASSACHUSETTS 02062
(Address of principal executive offices)

Registrant's telephone number, including area code: (617) 551-0300

NO CHANGE
(Former name, former address and former fiscal year, if change since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Classes	Outstanding at March 30, 1992
Common Stock, $.01 par value	9,215,077

BEST COPY AVAILABLE

TELCO SYSTEMS, INC.

INDEX

REPORT ON FORM 10-Q

FOR QUARTER ENDED MARCH 1, 1992

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TELCO SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except per share data)

	March 1, 1992 Unaudited	August 25, 1991 Audited
Assets		
Current assets:		
Cash and equivalents	$26,508	$25,419
Accounts receivable	15,838	20,197
Inventories	19,196	16,372
Other current assets	1,343	1,248
Total current assets	62,885	63,236
Plant and equipment, at cost	30,234	28,590
Less accumulated depreciation	19,970	18,965
Net plant and equipment	10,264	9,625
Intangible and other assets, net	10,118	10,339
Total assets	$83,267	$83,200
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 3,515	$ 5,642
Payroll and payroll related liabilities	1,251	1,597
Other accrued liabilities	4,991	5,247
Current portion of long-term liabilities	2,000	2,000
Total current liabilities	11,757	14,486
Long term liabilities	5,261	7,295
Shareholders' Equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares outstanding at March 1, 1992 and August 25, 1991	-	-
Common stock, $.01 par value, 24,000,000 shares authorized; shares outstanding: 9,200,158 at March 1, 1992; 8,832,667 at August 25, 1991	92	88
Capital in excess of par value	62,182	60,616
Retained earnings	3,975	715
Total shareholders' equity	66,249	61,419
Total liabilities and shareholders' equity	$83,267	$83,200

See accompanying notes to consolidated financial statements.

TELCO SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands except per share data)

	Three Months Ended		Six Months Ended*	
	March 1, 1992	Feb. 24, 1991	March 1, 1992	Feb. 24 1991
Sales:				
Fiber optic transmission products	$ 15,211	$ 15,058	$ 32,885	$ 29,565
Customer premise network access equipment	6,978	9,602	15,504	17,720
	22,189	24,660	48,389	47,285
Cost and expenses:				
Cost of products sold	12,602	14,414	27,900	28,300
Research and development	2,561	1,909	5,272	3,722
Sales, marketing and administration	5,052	5,087	10,047	9,757
Amortization of intangible assets	151	150	301	301
Interest expense	211	235	461	533
Interest income	(293)	(298)	(687)	(691)
	20,284	21,497	43,294	41,922
Income before income taxes	1,905	3,163	5,095	5,363
Provision for income taxes	675	753	1,835	1,283
Net income	$ 1,230	$ 2,410	$ 3,260	$ 4,080
Average number of shares and equivalents	9,524,594	9,362,741	9,550,433	9,287,095
Earnings per share	$ 0.13	$ 0.26	$ 0.34	$ 0.44

The 1992 six-month period includes 27 weeks vs. 26 weeks in the 1991 six-month period.

See accompanying notes to consolidated financial statements.

TELCO SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands except per share data)

	Six months ended March 1, 1992	 February 24, 1991
INCREASE (DECREASE) IN CASH AND EQUIVALENTS *		
Cash flows from operating activities:		
Net income	$ 3,260	$ 4,080
Depreciation and amortization	1,823	1,617
	5,083	5,697
Change in assets and liabilities:		
Accounts receivable	4,359	(688)
Inventories	(2,824)	(2,403)
Other current assets	(95)	34
Intangible and other assets	108	-
Accounts payable and other current liabilities	(2,729)	(88)
Long-term liabilities	(34)	97
	(1,215)	(3,048)
Net cash provided by operating activities	3,868	2,649
Cash flows from investing activities:		
Additions to plant and equipment, net	(2,087)	(4,023)
Other investing activities	(262)	--
Net cash (used in) investing activities	(2,349)	(4,023)
Cash flows from financing activities:		
Proceeds from sale of common shares under employee stock plans	1,570	290
Payments on long-term liabilities	(2,000)	(2,350)
Net cash (used in) financing activities	(430)	(2,060)
Increase (decrease) in cash and equivalents	1,089	(3,434)
Cash and equivalents at beginning of year	25,419	21,197
Cash and equivalents at end of period	$26,508	$ 17,763

See accompanying notes to consolidated financial statements.

TELCO SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - The information reflects all adjustments, which are in the opinion of management necessary for a fair statement of the results for the interim periods presented. These interim adjustments are of a normal recurring nature. These condensed consolidated financial statements do not include all disclosures associated with the annual financial statements and accordingly should be read in conjunction with the consolidated financial statements included in the Company's 1991 Annual Report on Form 10-K.

Note 2 - Inventories (dollars in thousands)

	March 1 1992	August 25 1991
Raw materials	$ 7,934	$ 6,928
Work-in-process	4,784	4,361
Finished goods	6,478	5,083
	$ 19,196	$16,372

Note 3 - Shares Reserved and Outstanding

Changes in shares outstanding:	Common Stock
Outstanding at August 25, 1991	8,832,667
Options exercised	360,018
Employee stock purchase plan	7,473
Outstanding at March 1, 1992	9,200,158

Shares of common stock are reserved as follows:

	March 1 1992	August 25 1991
Convertible subordinated notes	285,714	380,952
Employee stock option plans	1,265,712	1,635,615
Employee stock purchase plan	135,651	143,124
	1,687,077	2,159,691

PART I. FINANCIAL INFORMATION (Continued)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth for the period indicated (i) percentages which certain items reflected in the financial data bear to sales of the Company and (ii) the percent change of such items as compared to the indicated prior period. See Consolidated Statements of Income.

	PERCENT OF SALES SECOND QUARTER ENDED		PERCENT OF SALES SIX MONTHS ENDED		PERCENT INCREASE/(DECREASE	
					SECOND QUARTER	SIX MONTHS ENDED
	1992	1991	1992	1991	1992 VS. 1991	1992 VS. 1991
Net sales	100.0%	100.0%	100.0%	100.0%	-10.0%	2.3%
Costs and expenses:						
Costs of products sold	56.7%	58.5%	57.6%	59.9%	-12.6%	-1.4%
Research and development	11.5%	7.7%	10.9%	7.9%	34.2%	41.6%
Sales, marketing and administration	22.8%	20.6%	20.8%	20.7%	-1.0%	3.0%
Amortization of intangible assets	0.7%	0.6%	0.6%	0.6%	-0.7%	0.0%
Interest expense	1.0%	1.0%	1.0%	1.1%	-10.2%	-13.5%
Interest income	-1.3%	-1.2%	-1.4%	-1.5%	-1.7%	0.6%
Total costs and expenses	91.4%	87.2%	89.5%	88.7%	-5.6%	3.3%
Income before income taxes	8.6%	12.8%	10.5%	11.3%	-39.7%	-5.0%
Provision for income taxes	3.0%	3.0%	3.8%	2.7%	-10.4%	43.0%
Net income	5.6%	9.8%	6.7%	8.6%	-40.0%	-20.1%

TELCO SYSTEMS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SALES - During the second quarter of fiscal 1992, sales decreased 10% compared with the second quarter of last year. For the six month period, sales increased 2% over the six month period of last year.

Sales of the Company's T1 network access products declined 27% and 13% during the second quarter and first six months of fiscal 1992, respectively, compared with the same periods of last year. These decreases resulted from tighter customer inventory management practices and the sluggish economic environment. In the fiber optic products area, sales for the second quarter and first six months of fiscal 1992 increased 1% and 11%, respectively, compared with the second quarter and first six months of last year. Sales to Bell Operating Company customers and other service providers increased at a less than expected rate for products used in local loop applications.

The outlook for sales and earnings for the balance of the fiscal year is difficult to assess. The Company is facing a changing telecommunication's market environment coupled with the continuing recession. Earnings are expected to remain under pressure as research and development expenditures continue to increase for products critical to expanding our market position. Over the longer term, the Company's planned introduction of new fiber optic transmission products and enhanced T1 access multiplexers should provide excellent opportunities in our two market areas. Due to the uncertain outlook, management will closely monitor market and customer order trends and adjust expense levels and short-term strategies as necessary.

COST OF PRODUCTS SOLD - Cost of products sold amounted to 57% and 58% of sales during the second quarter and first six months of fiscal 1992, respectively, compared with 59% and 60% during the comparable periods of last year. These improvements in gross margin resulted from benefits relating to cost reduction programs and an improved product mix.

RESEARCH AND DEVELOPMENT - During the second quarter and first six months of fiscal 1992, research and development expense was $2,561,000 and $5,272,000, respectively, an increase of 34% and 42% compared with the same periods of last year. These increases resulted from higher spending on next generation SONET transmission equipment and enhancements to T1 access intelligent multiplexers. Research and development represented 12% and 11% of sales in the second quarter and first six months of fiscal 1992, versus 8% in each of the comparable periods of last year. The Company expects R&D spending for these important new products to continue at an increasing rate for the remainder of fiscal 1992.

SALES, MARKETING AND ADMINISTRATION - Sales, marketing and administration expense was $5,052,000 and $10,047,000 for the second quarter and first six months of fiscal 1992, respectively. This represents a decrease of about 1% for the second quarter and an increase of about 3% in the year to date period. The decrease resulted from certain cost reduction initiatives undertaken during the second quarter of fiscal 1992. The increase in the six month period was primarily related to a higher level of advertising and marketing activities in the first quarter of fiscal 1992.

INTEREST EXPENSE - Interest expense was $211,000 and $461,000 for the second quarter and first six months of fiscal 1992, respectively, reflecting a decrease of 10% and 14% compared with the same periods of last year. Interest expense relates primarily to the Company's 11% convertible subordinated debentures which are reduced by annual sinking fund payments of $2.0 million. The most recent payment made in January of 1992 leaves an outstanding balance of $6.0 million at March 1, 1992.

INTEREST INCOME - During the second quarter and first six months of fiscal 1992, interest income amounted to $293,000 and $687,000, respectively. In comparison, interest income was $298,000 and $691,000 for the same periods of fiscal 1991. These decreases resulted from lower short-term interest rates offset by higher average short-term investments.

PROVISION FOR INCOME TAXES - Income tax expense represented 35% and 36% of income before taxes in the second quarter and first six months of fiscal 1992 which compares to 24% in each of the periods of last year. The higher effective tax rates reflect the Company's estimate of its Federal and State tax rate for fiscal 1992 excluding net operating loss carryforwards which were fully utilized in fiscal 1991.

LIQUIDITY AND CAPITAL RESOURCES - For the six month period ended March 1, 1992, cash and equivalents increased by $1,069,000 resulting in a cash balance of $26,508,000. Cash provided by operating activities of $3,868,000 was partially offset by cash consumed in investing activities and financing activities of ($2,349,000) and ($430,000),respectively.

Net cash provided by operating activities of $3,868,000 increased $1,219,000 over the first six months of last year. This was principally related to a decrease in accounts receivable of $4,359,000, which was partially offset by an increase in inventories of ($2,824,000) and a lower accounts payable and other current liabilities of ($2,729,000). The lower receivables and accounts payable levels reflected the reduced sales level for the second quarter period of fiscal 1992 versus fiscal 1991.

Investing activities consumed cash in the amount of ($2,349,000) primarily for facility and equipment upgrades, compared with ($4,023,000) in the six month period of the preceding year. The prior year period included heavy purchases in engineering laboratory equipment.

Financing activities used ($430,000) of cash and consisting of a sinking fund payment of ($2,000,000) for the Company's 11% convertible subordinated notes offset by proceeds from sales of the Company's common stock under various employee stock plans in the amount of $1,570,000.

The Company maintains a $10 million line of credit with the Bank of Boston which expires on March 31, 1994. Borrowings may be made at the bank's prime rate. At March 1, 1992 and August 25, 1991, the Company had no borrowing on this line of credit and had no short term debt outstanding. Management believes that existing cash reserves and future cash flows will be adequate to satisfy cash requirements for continuing operations.

OTHER FINANCIAL INFORMATION - New orders received during the second quarter totaled $17.9 compared to $23.1 million in the second quarter of last year. For the six month period of this year, new orders were $47.0 million compared with $46.9 million last year. At the end of the second quarter, the backlog of unfilled orders shippable within one year decreased to $3.3 million, from $8.6 million at the beginning of the fiscal year. The Company's order trends continue to be characterized by short customer-delivery cycles. Accordingly, a substantial amount of revenues in each quarter are derived from orders booked in the period, as such a decline in orders would have an immediate impact on revenues and profitability.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports filed on Form 8-K

(b) The Company filed no reports on Form 8-K during the fiscal quarter for which this report is filed.

TELCO SYSTEMS, INC.

SIGNATURE(S)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TELCO SYSTEMS, INC.

By: ____________________
John A. Ruggiero
Executive Vice President
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 1992

Y92.2236

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 0-7574

Wausau Paper Mills Company
(Exact name of registrant as specified in its charter)

Wisconsin	39-0690900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification number)

One Clark's Island P.O. Box 1408, Wausau, WI 54402-1408
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (715) 845-5266

Not applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

The registrant had 15,151,104 shares of no par value common stock outstanding at May 31, 1992.

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The Exhibit Index is located on Page 9

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WAUSAU PAPER MILLS COMPANY

AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

This report is filed for Wausau Paper Mills Company and its consolidated subsidiaries.

Substantially all the financial information required in this report is included in the unaudited interim report of the Registrant for the period ended May 31, 1992, which has been made available to its shareholders. A copy of said interim report is attached as Exhibit (20) hereto, and the following information therein which is called for by this report is incorporated herein by reference:

Consolidated Statements of Operations Three Months and Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)

Consolidated Balance Sheets May 31, 1992 (unaudited) and August 31, 1991

Consolidated Statements of Cash Flows Nine Months Ended May 31, 1992 and May 31, 1991 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounts receivable consisted of the following:

	May 31, 1992	August 31, 1991
Customer Accounts	$29,609,000	$28,883,000
Misc. Notes and Accounts	665,000	632,000
	$30,274,000	$29,515,000
Less: Allowance for Discounts, Doubtful Accounts and Pending Credits	3,388,000	3,430,000
Net Receivables	$26,886,000	$26,085,000

Note 2: The various components of inventories were as follow:

	May 31, 1992	August 31, 1991
Raw Materials and Supplies	$21,153,000	$18,921,000
Work in Process and Finished Goods	17,913,000	17,931,000
	$39,066,000	$36,852,000
Less: LIFO Reserve	7,431,000	7,317,000
Net Inventories	$31,635,000	$29,535,000

Note 3: The accumulated depreciation on fixed assets was $99,606,000 as of May 31, 1992 and $90,123,00 as of August 31, 1991.

Note 4: A summary of Long Term Debt is as follows:

	May 31, 1992	August 31, 1991
Bonds, Mortgages and Similar Debt	$15,500,000	$29,769,000
Capitalized Leases	801,000	958,000
Total Long Term Debt	$16,301,000	$30,727,000

Note 5: Dividends per share were as follows:

Three Months Ending		Nine Months Ending	
May 31, 1992	May 31, 1991	May 31, 1992	May 31, 1991
$.085*	$.075**	$.255*	$.225**

*The company's Board of Directors' meeting schedule resulted in the declaration of cash dividends of $.085 and $.075 per share in the three months ended May 31, 1992 and May 31, 1991, respectively.

**Per share dividends have been restated to reflect the two-for-one stock split to shareholders of record as of January 2, 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net Sales

Record third quarter net sales and shipments were achieved during the three month period ended May 31, 1992. For the quarter, net sales were $94,957,000 on shipments of 76,621 tons. Net sales were 7.6% higher than the $88,222,000 recorded during the third quarter of fiscal 1991. Fiscal 1992 third quarter shipments were 9.1% higher than the 70,245 tons shipped during the same period last year.

During the quarter, demand was strong for the company's printing and writing grades manufactured at Brokaw. Shipments for the third fiscal quarter exceeded prior year shipments by 8.2% at Brokaw. Sales mix continues to improve and Brokaw's order backlog on May 31, 1992 was at a normal level.

Demand for the company's technical specialty papers, manufactured at the Rhinelander division, remained strong throughout the third quarter. Shipments in the third quarter of fiscal 1992 were 10.3% higher than the same period last year. Order backlogs on May 31, 1992 were at normal levels.

Gross Profit

Gross profit was $21,338,000 or 22.5% during the three months ended May 31, 1992, as compared to $20,704,000 or 23.5% during the comparable period last year.

At Brokaw, finishing production improved over the same period last year, while pulp and paper production were consistent with the prior year. Finished goods inventory increased slightly from second quarter levels.

At the Rhinelander division, paper production was higher than the comparable period a year ago. Capital projects installed this past year improved operating efficiencies and production. Finished goods inventories increased slightly over the second quarter inventory levels.

Selling, Administrative and Research Expenses

Selling, administrative, and research expenses, which includes stock appreciation rights and stock option expenses, were $4,767,000 or $2,332,000 lower than the third quarter last year. Stock appreciation rights and stock option expenses for the third quarter were a credit of $811,000. Stock appreciation rights expenses for the comparable 1991 period were $2,312,000. Marketing and administrative expenses were higher than the prior year.

Interest Income and Expense

The company recorded interest income of $8,000 and interest expense of $207,000 during the three months ended May 31, 1992. This compares to interest income of $3,000 and interest expense of $897,000 incurred during the third quarter of fiscal 1991. The reduced interest expense is attributable to lower interest rates and to lower debt balances carried during the quarter compared to the same period last year.

Income Taxes

The income tax provision was $5,617,000 for an effective tax rate of 34.5% during the quarter ended May 31, 1992. This compares to a 35.5% rate applied over the same period last year. The 1992 rate was adjusted downward to reflect a research and development tax credit for fiscal years 1988 and 1989.

Net Earnings

Fiscal 1992 third quarter net earnings of $10,667,000 or $.70 per share were a third quarter record. This compares with net earnings of $8,248,000 or $.54 per share reported last year.

Capital Resources and Liquidity

Cash Provided by Operations

Cash provided by operations was $14,308,000 for the three months ended May 31, 1992. For the same period last year, cash provided by operations was $22,126,000. This decrease in cash provided by operations is due, in part, to the increase in pulp inventories, the increase in accounts receivable due to higher sales volume, and the increase in income taxes paid for increased profitability.

Capital Expenditures

Capital expenditures were $7,963,000 during the third quarter of fiscal 1992 as compared to $7,620,000 over the comparable period last year. The company plans to spend approximately $30,000,000 during 1992 for capital improvements. The research and development facility at Rhinelander became operational during the quarter. The $6.6 million central refining project is scheduled for completion in November. At Brokaw, several projects to reduce costs and improve efficiencies will be completed this fiscal year. During the quarter, a new winder on No. 1 paper machine and a new packaging line on No. 1 cut size sheeter were installed.

Financing

During the quarter, the company decreased the amount borrowed under its $45,000,000 revolving credit agreement. As of May 31, 1992, $15,500,000 was outstanding under the credit agreement. The company presently does not have any commercial paper outstanding. Effective interest rates on these amounts ranged from approximately 4.1% to 4.9%.

The company intends to fund future capital improvements through cash generated by operations and use of its existing credit and commercial paper agreements. The company believes that adequate capital resources and liquidity is available to achieve long-term goals.

Dividends

On May 29, 1992, the Board of Directors declared a quarterly cash dividend of $.085 per share payable July 1, 1992 to shareholders of record on June 19, 1992.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K:

Exhibits:

(20) Interim Report to Shareholders dated June 12, 1992.

There were no reports on Form 8-K filed for the three months ended May 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAUSAU PAPER MILLS COMPANY

Registrant

By: Thomas B Pitcher

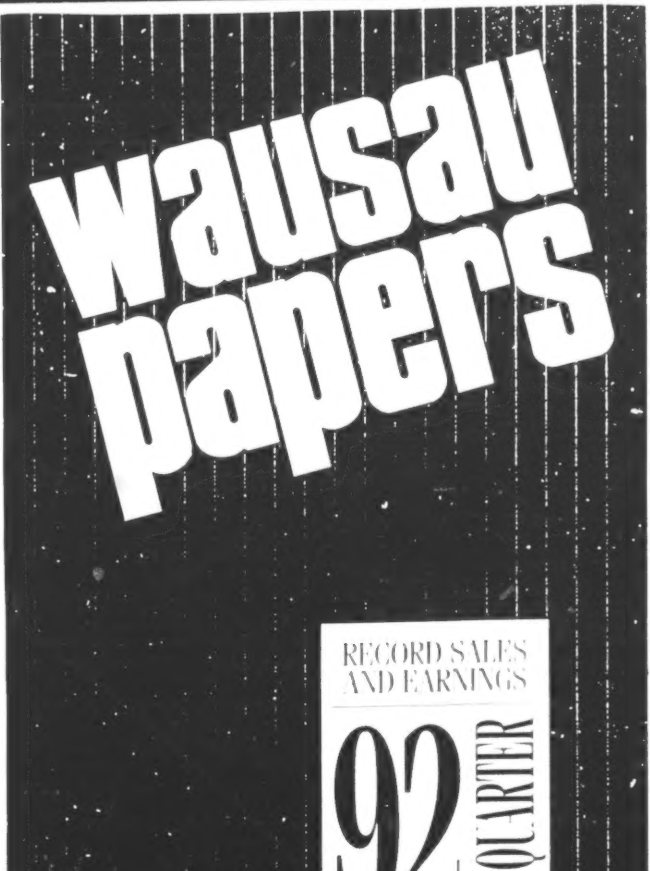
Thomas B. Pitcher

Senior Vice President Finance

Secretary/Treasurer

(Principal Financial Officer)

Date: 7/14/92



WAUSAU PAPERS

RECORD SALES
AND EARNINGS

92
3RD QUARTER
REPORT

CONSOLIDATED STATEMENTS OF OPERATIONS

Wausau Paper Mills Company and Subsidiaries

	For the Three Months Ended May 31		For the Nine Months Ended May 31	
(all dollar amounts in thousands except per share data)	1992	1991	1992	1991
Net Sales	$ 94,957	$ 88,222	$278,214	$258,841
Cost of products sold	73,619	67,518	213,234	205,524
Gross Profit	21,338	20,704	64,980	53,317
Selling, administrative and research expenses	4,767	7,099	18,516	17,474
Operating Profit	16,571	13,605	46,464	35,843
Interest income	8	3	32	115
Interest expense	(207)	(897)	(1,032)	(3,168)
Other income (expense)	(88)	83	(5)	69
Earnings Before Provision for Income Taxes	16,284	12,794	45,459	32,859
Provision for income taxes	5,617	4,546	16,004	11,877
Net Earnings	$ 10,667	$ 8,248	$ 29,455	$ 20,982
Net Earnings Per Common Share	$ 0.70	$ 0.54	$ 1.94	$ 1.38
Weighted Average Number of Shares	15,150,974	15,148,104	15,149,520	15,148,104

NOTES TO FINANCIAL STATEMENTS

1. The accompanying unaudited financial statements include all adjustments which are, in the opinion of management, necessary to present fairly the condensed results for the interim periods presented. Such adjustments, which include LIFO inventory valuations and effective income tax rates, are based upon estimates and may require revision at year end.
2. Selling, administrative and research expenses include a stock appreciation rights (SARs) credit of $811,000 for the quarter ended May 31, 1992 and stock appreciation rights (SARs) and stock option expenses of $2,207,000 for the nine months ended May 31, 1992. SAR expenses for the comparable 1991 periods were $2,312,000 and $3,603,000 respectively. The earnings per share effect for the third quarter 1992 was a $.04 credit compared to a $.10 expense for the comparable 1991 period. The company calculates this liability using the average price of Wausau Papers stock at the close of each fiscal quarter as if all earned SARs had been exercised on that day.
3. All shares and per share data have been restated to reflect the two-for-one stock split to shareholders of record as of January 2, 1992 and the five-for-four stock split-up, effected in the form of a dividend, to shareholders of record as of January 3, 1991.

CONSOLIDATED BALANCE SHEETS

Wausau Paper Mills Company and Subsidiaries

(all dollar amounts in thousands)	May 31 1992	August 31 1991
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,573	$ 3,495
Accounts and notes receivable	26,886	26,085
Inventories	31,635	29,535
Other current assets	4,287	4,209
Total current assets	64,381	63,324
Property, plant and equipment	180,752	168,458
Other assets	9,167	8,524
Total Assets	$254,300	$240,306

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 264	$ 2,875
Accounts payable	18,908	20,034
Accrued and other liabilities	20,939	16,609
Accrued income taxes	1,230	4,145
Total current liabilities	41,341	43,663
Long-Term Liabilities		
Long-term debt	16,301	30,727
Deferred income taxes	32,207	28,164
Other deferred liabilities	8,035	7,718
Total long-term liabilities	56,543	66,609
Total shareholders' equity	156,416	130,034
Total Liabilities and Shareholders' Equity	$254,300	$240,306

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wausau Paper Mills Company and Subsidiaries

	For the Nine Months Ended May 31	
(all dollar amounts in thousands)	1992	1991
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from customers	$274,725	$262,038
Cash paid to suppliers and employees	(219,886)	(214,602)
Interest received	227	121
Interest paid	(1,627)	(3,661)
Income tax paid	(14,876)	(7,556)
Net Cash Provided by Operating Activities	38,563	36,340
Cash flows from investing activities:		
Capital expenditures	(21,171)	(18,893)
Proceeds from property, plant and equipment disposals	28	86
Net Cash Used in Investing Activities	(21,143)	(18,807)
Cash flows from financing activities:		
Net decrease in credit agreements	(7,142)	(11,692)
Principal payments	(8,501)	(2,702)
Dividends paid	(3,712)	(3,338)
Proceeds from sale of treasury stock	13	
Net Cash Used in Financing Activities	(19,342)	(17,732)
Net decrease in cash and cash equivalents	(1,922)	(199)
Cash and cash equivalents at beginning of year	3,495	1,994
Cash and Cash Equivalents at End of Quarter	$ 1,573	$ 1,795
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$ 29,455	$ 20,982
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for depreciation, depletion and amortization	9,919	9,770
Deferred income taxes	4,043	3,597
Changes in operating assets and liabilities:		
Receivables	(801)	2,887
Inventories	(2,100)	(9,082)
Other assets	(389)	(509)
Accounts payable and other liabilities	1,351	8,472
Accrued income taxes	(2,915)	223
Total Adjustments	9,108	15,358
Net Cash Provided by Operating Activities	$ 38,563	$ 36,340

To Our Shareholders:

Company operations for the three months ended May 31, 1992 resulted in third quarter records for net sales and shipments and a new quarterly record for net earnings. Your company earned $10.7 million, or $.70 per share, up 29% over the prior year. Net sales of $95 million were up 8% compared to the third quarter of fiscal 1991. Shipments of nearly 77,000 tons were 9% higher than the prior year. Improved product mix and strong demand for our products, as well as full production at both mills, resulted in this record performance.

For the nine months ended May 31, 1992, net earnings and sales also established new records. Net earnings of $29.5 million, or $1.94 per share, increased 40% over the prior year. Net sales for the same period were $278.2 million, an increase of 7% over last year.

Important capital projects have been completed recently at both mills. At Rhinelander, a new research and development laboratory became operational during the quarter, while Brokaw installed a new winder on No. 1 paper machine and a new packaging line on No. 1 cut size sheeter.

The board of directors declared a quarterly cash dividend of $.085 per share payable July 1, 1992 to shareholders of record on June 19, 1992.

A major contribution to our performance this year has been the continuous improvement in our product mix. At Brokaw, shipments of the more profitable text and cover grades have increased substantially. This segment, which includes Astrobrights and the new Royal Family recycled product line, has grown to nearly 30% of Brokaw's total business. A steady increase in shipments of pressure sensitive backing papers at Rhinelander has also contributed to the improved performance of your company this year.

Despite the sluggish economic recovery thus far in 1992, Wausau Papers is well on its way to another year of record earnings.

Sincerely,

Arnold M. Nemirow
President and
Chief Executive
Officer

June 12, 1992